GLC TRANSFORMATION PROGRAMME GRADUATION REPORT

YEAR GLC TRANSFORMATION PROGRAMME

GRADUATING TO A HIGHER CLASS

Nation Building, Touching Lives

GLC 2015 OPEN DAY

1Malaysia

The GLC Transformation Programme has completed its 10-year journey. The term “graduation” (as opposed to “final” or “end”) is used to signify that GLCs will continue to deliver the 3 Underlying Principles of the Programme, long after Programme graduation.

The number “10” represents the GLC Transformation Programme’s 10-year journey, while the collage of pictures within are taken from the report, covering significant Programme milestones and activities of the five Government-Linked Investment Companies and 17 Government-Linked Companies under them (see the next page for details of these companies).

The theme “Graduating to A Higher Class, *Nation Building, Touching Lives*” reflect that GLCs under the GLC Transformation Programme have become high-performing entities and have contributed significantly to nation building and provided benefits to all Malaysians.

August 2015

Government-Linked Investment Companies & G20

GLICs

KHAZANAH NASIONAL

PNB
Permodalan Nasional Berhad

TABUNG HAJI

G20

MBSB

axiata

AFFIN HOLDINGS

ccm

TH PLANTATIONS BERHAD

MRCB

CIMB

Boustead Holdings Berhad

Maybank

BIMB HOLDINGS BERHAD

malaysia airlines

MALAYSIA AIRPORTS

Sime Darby

TM

UMW

TENAGA NASIONAL

UEM

Former G20

POS MALAYSIA

Golden Hope

PROTON

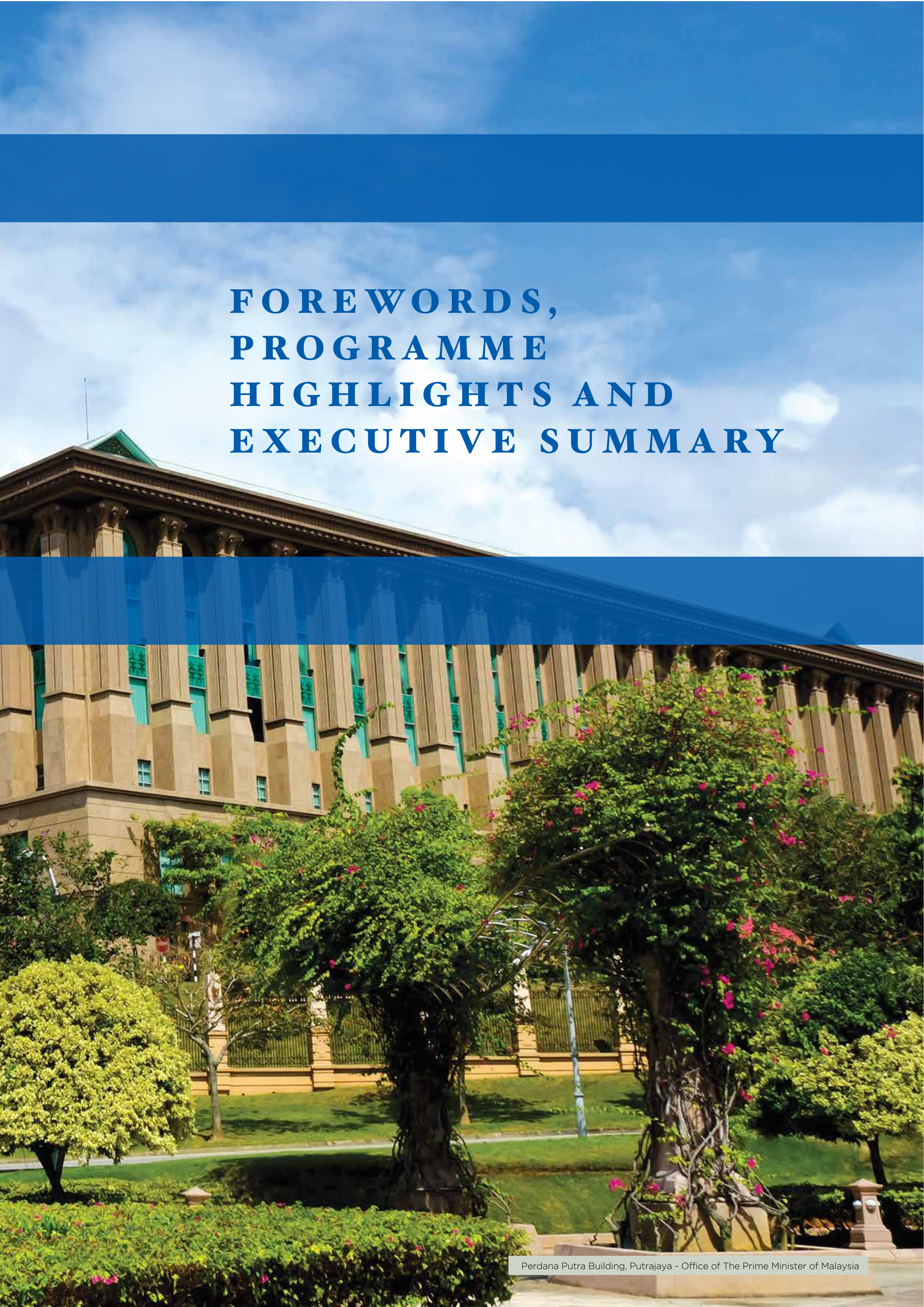
Government-Linked Investment Companies (GLICs) are defined as Federal Government-Linked Investment Companies. There are five GLICs which come under the Government-Linked Company Transformation (GLCT) Programme namely Employees Provident Fund (EPF), Khazanah Nasional Berhad (Khazanah), Lembaga Tabung Angkatan Tentera (LTAT), Lembaga Tabung Haji (LTH) and Permodalan Nasional Berhad (PNB).

Government-Linked Companies (GLCs) are defined as companies that have a primary commercial objective and are under the control of a GLIC. A GLIC has control over GLC when it is the majority shareholder or single largest shareholder and when it has the ability to exercise and influence major decisions such as appointment of board members and senior management, award of tenders and contracts and so on. Subsidiaries of such GLCs also fall under the purview of the GLCT Programme. The GLCT Programme excludes state controlled or state-linked companies.

G20 is a selection of large GLCs controlled by GLICs under the GLCT Programme and is used as a proxy for performance of the GLCs. This list originally comprised of 20 GLCs but currently totals 17 due to various mergers, demergers and other corporate exercises over the years.

Contents

FOREWORDS, PROGRAMME HIGHLIGHTS AND EXECUTIVE SUMMARY



Perdana Putra Building, Putrajaya - Office of The Prime Minister of Malaysia

Prime Minister of Malaysia, Dato' Sri Mohd Najib chairing the 28th PCG Meeting on 15 May 2015 at *Bilik Mesyuarat Perdana,* Prime Minister's Office

Foreword by YAB Prime Minister

When the Government-Linked Company (GLC) Transformation Programme was launched a decade ago, I was the Deputy Prime Minister and I remember standing by former Prime Minister Tun Abdullah Ahmad Badawi at the launch when he handed the GLC Transformation (GLCT) Programme's Manuals to each of the Government-Linked Investment Company (GLIC) chairmen. It was seemingly a normal official event, but the expectations and responsibilities being discharged, symbolically through the transfer of these Transformation Manuals, were very heavy indeed. These GLIC chairmen had to bring the companies under their stable to a much higher performance, some of which at that time were struggling and in dire need of a turnaround.

Over the years, I saw a lot of value in this Programme. When I became Prime Minister in 2009, one of the first things I did was to continue the GLCT Programme as a national priority, if anything, with greater urgency and focus. To give the Programme greater weight, I started chairing the Putrajaya Committee on GLC High Performance to provide stewardship and drive greater performance at the GLCs. When I spoke at Invest Malaysia 2009, I emphasised the need for GLCs to aspire to greater heights, whether in terms of being best in class or emerging as regional if not global champions in the future.

At that time, the GLCT Programme had already achieved some success, with most GLCs improving their financial performance and weathering the global financial crisis of 2008. I felt we could learn from this Programme, particularly on the implementation of key performance indicators (KPIs) for my cabinet, and decided to drive transformation of the Government and national economy in an impactful way. Therefore, what started off as an initiative to make my cabinet accountable with KPIs soon evolved to become what is known today as the Government Transformation Programme (GTP) and Economic Transformation Programme (ETP).

The GTP and ETP has successfully propelled the Country further in its economic and social development. Malaysia's Gross National Income (GNI) per capita has grown 40.4% from USD7,590 in 2009 to USD10,660 in 2014, and is expected to achieve the target of USD15,000 by 2020. Our economic growth has been recognised by international bodies such as Bloomberg, which has rated Malaysia as the world's fifth most promising emerging market in 2015 and the only ASEAN country in its top ten. Fitch Ratings recently upgraded Malaysia's outlook to "stable" based on improvements in our fiscal position. In July 2015, Malaysia was ranked as the eighth most efficient government globally by the World Economic Forum.

Malaysia's economic growth and development would not have been as successful, had the GLCT Programme not been initiated to transform the GLCs.

Over the past ten years, GLCs have significantly improved their financial performance and managed their balance sheets well. They have also contributed to the development of economic corridors, such as Iskandar Malaysia, East Coast and Northern Economic Corridors, in their capacity as master planners, developers, and investors; delivered large scale infrastructure projects, such as, the Second Penang Bridge, klia2, KL Sentral, High Speed Broadband and rural electrification; as well as contributed to making Malaysia a global Islamic finance hub.

In addition, GLCs have made a mark regionally and globally through projects such as the Battersea Power Station in London and the Shuaibah Independent Water and Power Project in the Kingdom of Saudi Arabia. All the above accomplishments are the "capital economy" part of the equation, that is to deliver on areas such as big businesses, large investment projects, and financial markets.

GLCs have also contributed significantly to the "people economy" by providing benefits to various stakeholders, such as job creation and professional development opportunities for employees, higher quality services and products for customers, business opportunities for vendors and suppliers, and corporate responsibility initiatives to improve well-being of the communities in markets they operate in.

In summary, much has been achieved under the GLCT Programme and for this, I would like to recognise and applaud the GLICs, GLC boards and management, and the PCG Secretariat for a job well done.

Having built a solid foundation locally and established a presence worldwide, the next step for GLCs is to continue expanding their reach, thrive internationally and ultimately become global champions. I have every confidence in their ability to pursue this ambition and in doing so, not only help Malaysia become fully developed by 2020, but become an exemplary nation and an epitome of success, peace and stability for the world for many years to come.

DATO' SRI MOHD NAJIB
Prime Minister of Malaysia
Chairman of the
Putrajaya Committee on
GLC High Performance
28 July 2015

Foreword by PCG Secretariat

More than a decade ago, GLCs underperformed their peers and the broader market on numerous operational and financial indicators. For example, some GLCs were poor in managing costs and did not employ labour or capital as effectively as the competition. The underperformance was due to a host of factors including a lack of focus on the bottom line, ambiguous social responsibilities, ineffective boards and poor talent management among many others.

In view of the above, the GLCT Programme was initiated to drive large scale transformation of GLCs through a well thought through plan and a programme management approach.

A programme of this scale and ambition also required strong and unwavering leadership from the highest levels. The PCG was created to do just that and had been very ably chaired by, initially, the Minister of Finance II at that time Tan Sri Nor Mohamed Yakcop reporting to the then Prime Minister Tun Abdullah Ahmad Badawi and subsequently by our present Prime Minister YAB Dato' Sri Mohd Najib bin Tun Hj. Abdul Razak.

After 29 PCG meetings and 22,981 programme man-days spread over 10-years, GLCs today are much more dynamic, performance driven and well-governed organisations run by professionals. GLCs have also become more vibrant, stronger institutions with well-managed balance sheets and greater regional and international presence. From 14 May 2004 to 28 July 2015, G20's market capitalisation grew by 2.9 times from RM133.8 billion to RM386.0 billion while total shareholder return (TSR) grew 11.1% per annum. Meanwhile, G20 net profit hit RM26.2 billion in FY2014, close to the all-time high of RM26.3 billion in FY2013, and grew at a compounded annual growth rate (CAGR) of 10.2% from FY2004 to FY2014. In addition, G20 has made significant inroads into foreign markets and in 2014, derived 34% of their revenue from operations in at least 42 countries.

GLCs have also significantly contributed to nation building through various efforts, such as supporting the New Economic Model (NEM), Government Transformation Programme (GTP), and Economic Transformation Programme (ETP); developing new, knowledge-based and service-oriented industries and sectors; and being involved in the development of the economic corridors, all of which are catalytic in nature and aimed at moving the nation further up the economic value chain. GLCs have made RM153.9 billion worth of domestic investments from FY2004 to FY2014, and employed 225,050 Malaysians in 2014.

GLCs are also promoting growth with inclusivity by enhancing diversity of their workforce in terms of gender, ethnicity and age. GLCs are continuously improving their work-life practices, for example by providing family-friendly facilities at the work place and flexible work arrangements. In 2014, 17% of board positions at G20 and its listed subsidiaries' were held by women, compared to 10% for all listed companies in Malaysia.

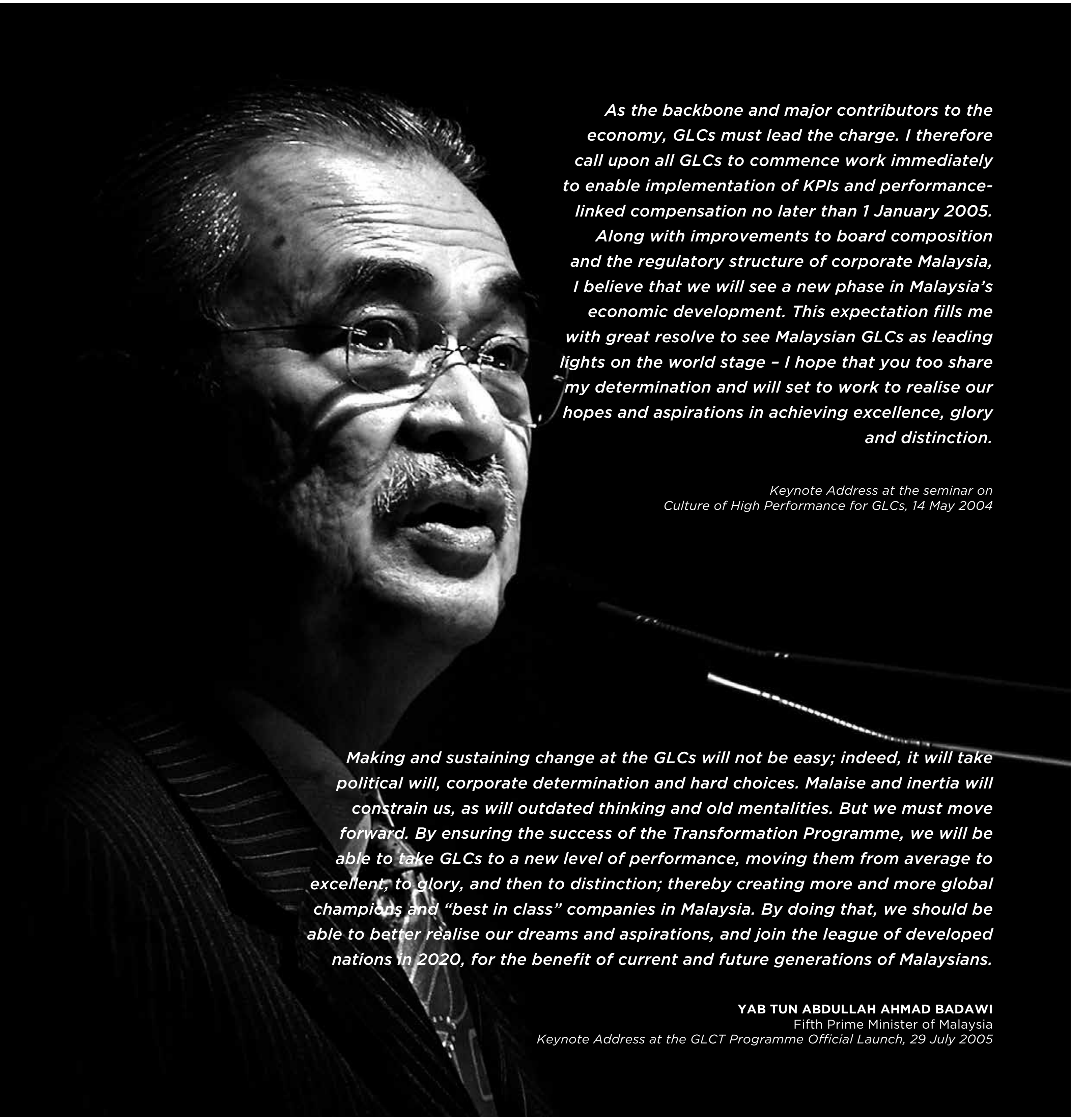
In a move to further strengthen and professionalise GLICs' and G20's support of Bumiputera Economic Empowerment, which was launched by the Government in 2013, the PCG established the Bumiputera Empowerment Agenda (BEA). Under the BEA, various initiatives have been implemented by both GLICs and GLCs, benefitting Bumiputera entrepreneurs, employees, students and the larger community.

Today marks the "graduation" of GLCs from the GLCT Programme. The term "graduation" (as opposed to "end") is used to signify that GLICs and GLCs will continue to deliver the Programme's three Underlying Principles, namely, performance focus; nation building, and governance, shareholder and stakeholder management, well beyond the Programme. Post graduation, a "successor entity" will be created to ensure the spirit of the Programme will live on and that the GLCT fraternity will continue to leverage the network effect post graduation.

Moving forward, challenges remain as GLCs are operating in markets that are a lot tougher than it was ten years ago. The confluence of megatrends impacting economies and businesses, such as the uncertain and volatile world economic environment, ever rising performance bar and standards, disruptive innovation, sustainability and complexities of operating across geographies presents a different set of challenges for GLCs. Hence, GLCs should remain vigilant, continue to aspire to greater heights and may even need to reinvent themselves in the run-up towards 2020 and beyond.

Finally, on behalf of the PCG Secretariat, we would like to recognise the many individuals who have contributed to the success of the Programme throughout this ten year journey. We would like to express our sincere gratitude to the Prime Minister, YAB Dato' Sri Mohd Najib Tun Hj. Abdul Razak for his unwavering support and acknowledge the founding fathers of the GLCT Programme, former Prime Minister Tun Abdullah Ahmad Badawi and former Minister of Finance II Tan Sri Nor Mohamed Yakcop for their vision in initiating this reform. We would also like to recognise the support of the PCG members, Dato' Seri Hj. Ahmad Husni Mohamad Hanadzlah, Dato' Sri Abdul Wahid Omar, Tan Sri Dr. Ali bin Hamsa, Tan Sri Dr. Mohd Irwan Serigar bin Abdullah, and GLICs, headed by Tan Sri Dato' Sri Hamad Kama Piah Che Othman, Tan Sri Dato' Seri Hj. Lodin Wok Kamaruddin, Tan Sri Ismee Ismail and Datuk Shahril Ridza Ridzuan. Last but not least, we would also like to thank GLC boards, management and employees for their contributions – this ten year GLCT Programme would not have been a success without their commitment, diligence and dedication to the cause.

TAN SRI DATO' AZMAN HJ. MOKHTAR
and
MOHD IZANI ASHARI
Secretariat to the Putrajaya Committee
on GLC High Performance
28 July 2015



As the backbone and major contributors to the economy, GLCs must lead the charge. I therefore call upon all GLCs to commence work immediately to enable implementation of KPIs and performance-linked compensation no later than 1 January 2005. Along with improvements to board composition and the regulatory structure of corporate Malaysia, I believe that we will see a new phase in Malaysia's economic development. This expectation fills me with great resolve to see Malaysian GLCs as leading lights on the world stage – I hope that you too share my determination and will set to work to realise our hopes and aspirations in achieving excellence, glory and distinction.

Keynote Address at the seminar on
Culture of High Performance for GLCs, 14 May 2004

Making and sustaining change at the GLCs will not be easy; indeed, it will take political will, corporate determination and hard choices. Malaise and inertia will constrain us, as will outdated thinking and old mentalities. But we must move forward. By ensuring the success of the Transformation Programme, we will be able to take GLCs to a new level of performance, moving them from average to excellent, to glory, and then to distinction; thereby creating more and more global champions and "best in class" companies in Malaysia. By doing that, we should be able to better realise our dreams and aspirations, and join the league of developed nations in 2020, for the benefit of current and future generations of Malaysians.

YAB TUN ABDULLAH AHMAD BADAWI
Fifth Prime Minister of Malaysia
Keynote Address at the GLCT Programme Official Launch, 29 July 2005

There was an urgent need to institutionalise ownership and professionalise management in the GLCs, to provide greater controls, check and balance and to improve risk management. The controls must, however, be balanced with an entrepreneurship-culture as well as a performance-oriented culture. The profitability objective must be balanced with the socio-economic objective. The development of human capital should always be a major agenda. The growth of Malaysia Inc. must be inclusive, and must reflect the diversity of the ethnic mix of the nation.

TAN SRI NOR MOHAMED YAKCOP
Former Second Finance Minister
PCG Chairman (2005 to 2008)
Speech at the Promuda Dialogues, 20 February 2002

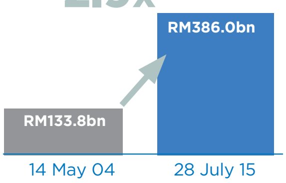
GLCT Programme Highlights

1 DELIVERING FINANCIAL PERFORMANCE

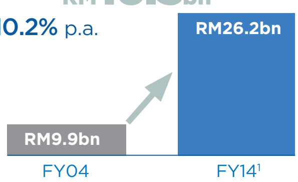
G20 Total Shareholder Return
grew
11.1% p.a.
from 14 May 2004 to 28 July 2015

G20 Return On Equity
hit
11.0% p.a.
on average
from FY04 to FY14

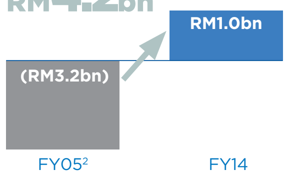
G20 Market Capitalisation
grew **2.9x**



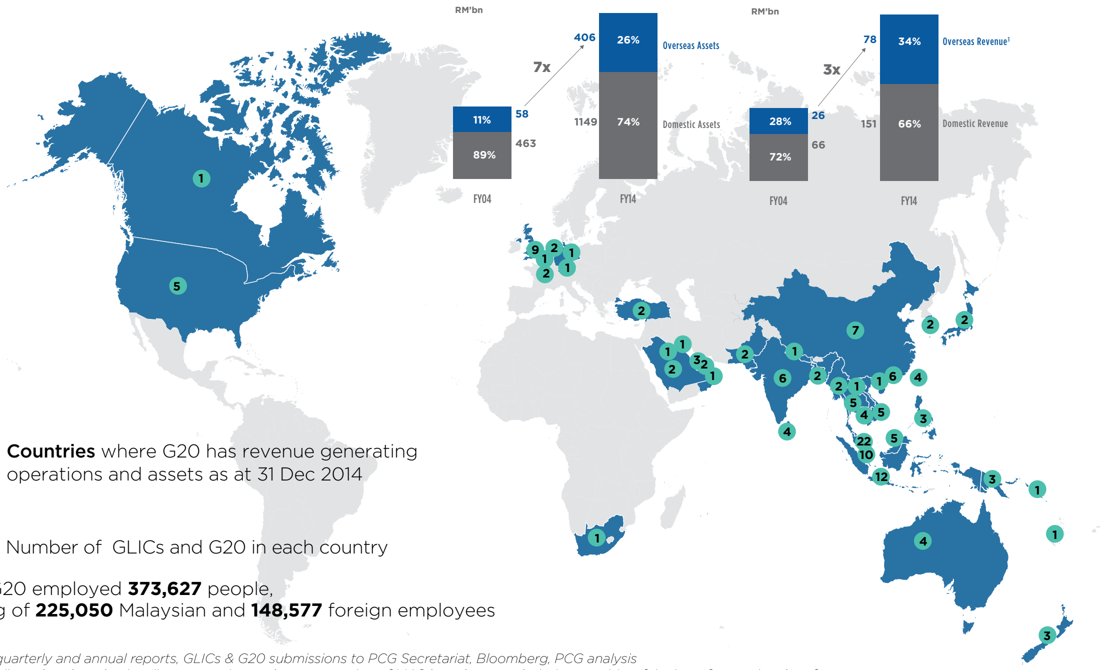
G20 Net Profit
up by RM**16.3**bn
10.2% p.a.



G20 Economic Profit up by
RM**4.2**bn



INTERNATIONALISATION OF GLICs & GLCs



42 **Countries** where G20 has revenue generating operations and assets as at 31 Dec 2014

\# Number of GLICs and G20 in each country

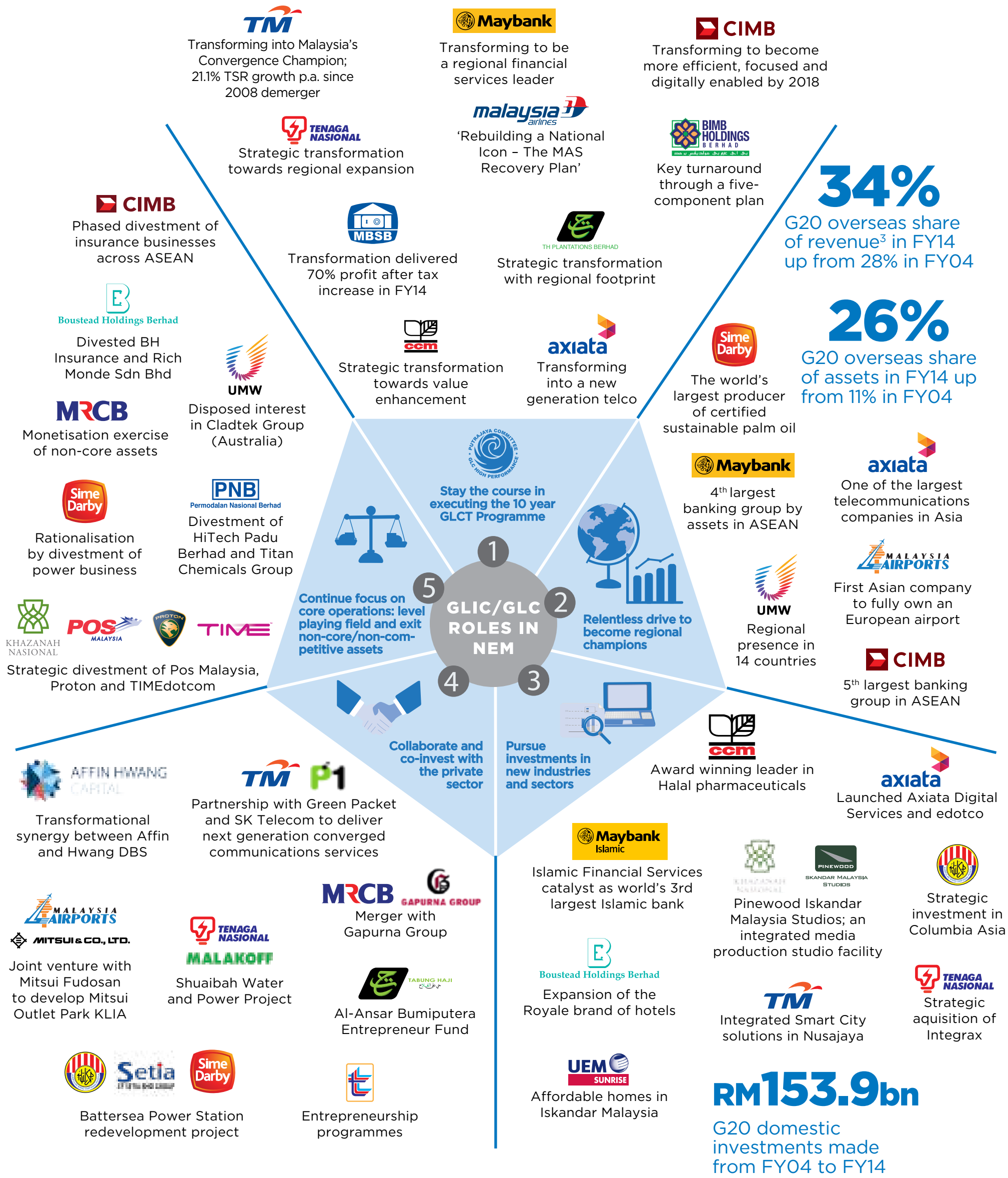
In 2014, G20 employed **373,627** people,
consisting of **225,050** Malaysian and **148,577** foreign employees

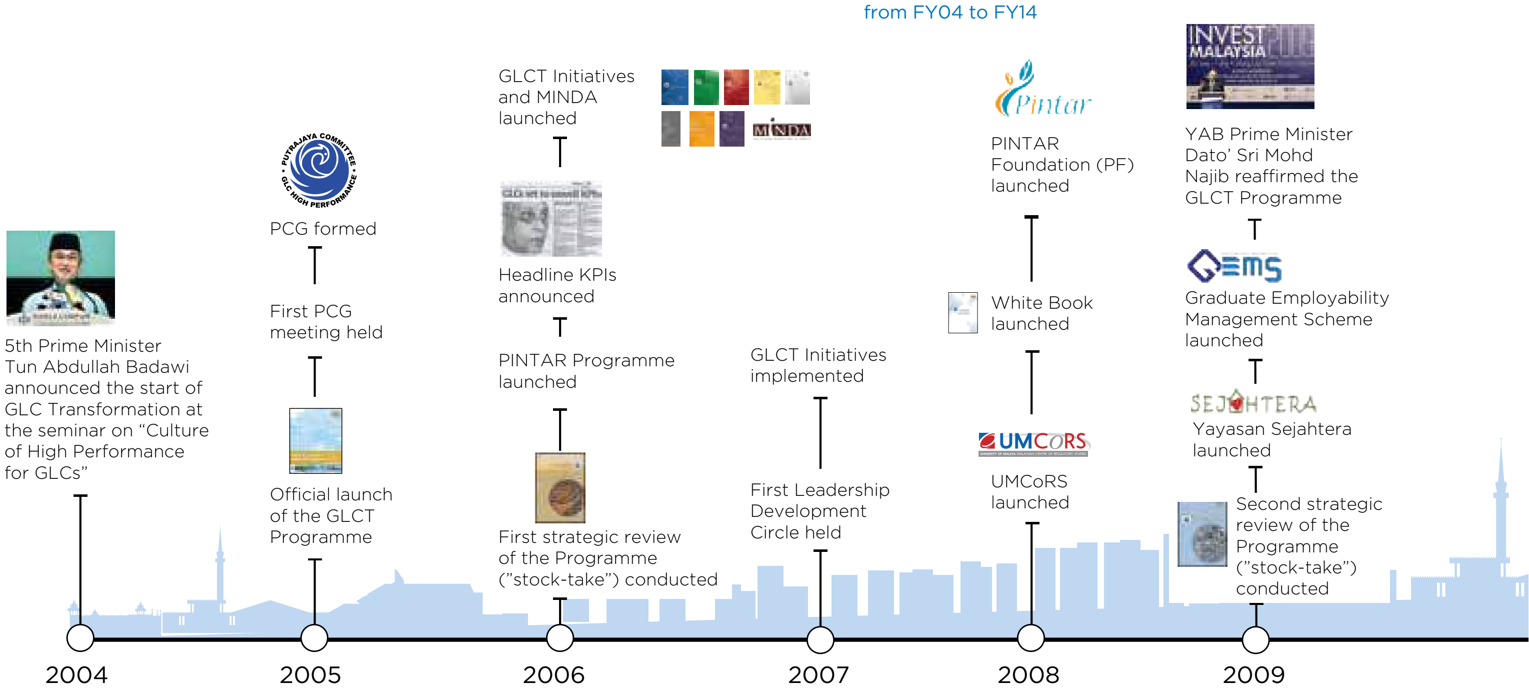
Source: G20 quarterly and annual reports, GLICs & G20 submissions to PCG Secretariat, Bloomberg, PCG analysis
[1] FY14 extraordinary break-up basis adjustments due to the restructuring of MAS have been excluded to provide a fair view of operational performance
[2] Economic Profit (EP) started being tracked since the official launch of the GLCT Programme in FY05
Note: MAS has been excluded from G20's TSR and Market Capitalisation computations, due to its delisting
[3] Revenue consists of non-bank revenue and banking income (gross interest income, fee-base income and gross islamic banking income)
Note: MAS has been excluded from G20's TSR and Market Capitalisation computations, due to its delisting

2 CATALYSING NATION BUILDING

Five Roles of GLICs & GLCs in the New Economic Model (NEM)

Selected GLICs' and G20's achievements





Source: G20 annual reports, GLICs & G20 submissions to PCG Secretariat, Bloomberg, PCG Secretariat analysis

3 BENEFITTING ALL STAKEHOLDERS

Excluding GLICs, G20 paid...

RM108.6bn
in dividends
from FY04 to FY14, enriching the investing public and contributors to trust agencies such as EPF and PNB

RM62.7bn
in taxes
from FY04 to FY14, benefitting the rakyat and country

Customers

At least 285 international and local **customer-related awards** won by G20 from 2004 - 2014

- THE WALL STREET JOURNAL Top 5 Most Admired Companies (2009)
- Gold Award for Customer Relationship Management (CRM) Implementation in Contact Centres (2011)
- Best Customer Service Provider, Asia (2014)
- Bank of the Year, Malaysia (2010, 2012, 2014)
- Best Private Banking Service, Malaysia (2014)
- Islamic Issue Category (2014)
- Starmine Asia Industry Analyst Award (2013, 2014)
- Best Telecom Group (2009, 2010, 2011, 2012, 2013, 2014)
- Fixed Broadband Service Provider of the Year (2012, 2013, 2014)
- Frost & Sullivan Malaysia Excellence Award for Pharmaceutical Company of the Year (2014)
- World's Top 5 Best Airport (40-50 Million Passengers Per Annum Category) (2013, 2014, 2015)
- The Skytrax World Airline Awards – 5 Star Rating (2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013)

Employees

373,627
employed by G20
in 2014, of which **225,050** are Malaysians

RM4.0bn
spent by G20 on training and development over the years 2004-2014

3,781
non-executives
benefitted from participation in G20's upward mobility schemes (UMS) since its launch in 2013

Vendors & Suppliers

RM98.2bn
worth of business
provided to G20 suppliers in 2014

RM1.8bn
spent
on G20 vendor development programmes (VDPs) in 2014

66,583
suppliers
have been provided with business opportunities by G20 in 2014

1,307
vendors
benefitted from participation in G20 VDPs in 2014

Society

At least
RM6.0bn
spent
on GLICs and G20 corporate responsibility initiatives and endowments from 2004 to 2014

SEJAHTERA
6,458
low-income families
benefitted from Yayasan Sejahtera from 2009 to 2014, funded by G20 and other companies

Pintar
184,052
students
benefitted from programmes in 326 G20 adopted schools from 2007 to 2014

GEMS SL1M
4,589
unemployed graduates trained
under the Graduate Employability Management Scheme (GEMS) and Skim Latihan 1Malaysia (SL1M) by G20 from 2009 to 2014

6,900
committed
by GLICs and G20 in 2015 under GEMS and SL1M

2010

5 roles of GLICs and GLCs in New Economic Model announced

2011

GLC OPEN DAY

Inaugural GLC Open Day held

2012

GLC employees townhall with YAB Prime Minister

Highest achievement in G20 Headline KPIs at 77%

Implementation of minimum wage led by GLCs

2013

Bumiputera Empowerment Agenda launched

PR1ME

Program Majudiri 1Malaysia (PR1ME), an upward mobility scheme, launched

Implementation of the increase in minimum retirement age to 60 led by GLCs

Self-assessment surveys conducted for Initiative Books

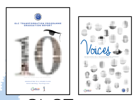
2014

GLC Disaster Relief Network launched

Third strategic review of the Programme ("stock-take") conducted

2015

GLC 2015 OPEN DAY



GLCT Programme Graduation

Last PCG meeting held

Last Leadership Development Circle held

Executive Summary

GLCT Programme Overview

Background of the GLCT Programme

Throughout the evolution of Malaysia's economy, GLCs and their controlling shareholders, Government-Linked Investment Companies (GLICs), constituted a significant part of the economic structure of the Nation. In 2005, GLCs accounted for approximately RM260 billion in market capitalisation, or approximately 36% and 54% of the market capitalisation of Bursa Malaysia and the benchmark Kuala Lumpur Composite Index (KLCI) respectively[1].

GLCs accounted for an estimated 5% of the national workforce and were the main service providers to the Nation in key strategic industries and services including electricity, telecommunications, postal services, airline, airports, public transport, banking and financial services. The significant role GLCs played as service providers further underscored their importance to the economy. It also meant that GLCs were in a position to contribute significantly towards improving the quality of life for all Malaysians. Furthermore, public trust funds (via EPF and PNB) were invested in many GLCs and were therefore reliant on their performance in order to return good dividends to the investing public.

Despite playing an important role in the Malaysian economy, GLCs underperformed their peers and the broader market on numerous operational and financial indicators in the years prior to 2005. GLCs had not been employing labour or utilising capital as effectively as their private sector peers and one study found that GLCs underperformed the broader Malaysian market on all key financial indicators except for size.[2]

An example is economic profit (EP) of the 15 largest GLCs, which represented approximately 65% of the market capitalisation of all listed GLCs (as at 14 May 2004). Of these companies, only seven created an economic profit in FY2004, despite all 15 making an accounting profit.

Apart from the GLCs' underperformance, the urgent need for transformation was further underscored by the rapid growth of international competition and the challenge to achieving the 2020 ambition, which was in part due to set-backs cause by the Asian Financial Crisis.

It was in this context that on 14 May 2004, former Prime Minister Tun Abdullah Ahmad Badawi announced that transformation of GLCs was a national priority, leading to the official launch of the Government-Linked Companies Transformation (GLCT) Programme on 29 July 2005. The Programme aimed to create high performing GLCs which can help accelerate the country's social and economic development.

The GLCT Programme covered five federal-owned GLICs, namely, EPF, Khazanah, LTAT, LTH, and PNB, as well as the GLCs under them. "G20" was selected to act as a proxy for the performance of the GLCs under the five GLICs as they were the larger GLCs under the purview of these GLICs. This list originally comprised of 20 GLCs but currently totals 17 due to various mergers, demergers and other corporate exercises over the years.

GLCs were the main service providers to the Nation in key strategic industries and services including electricity, telecommunications, postal services, airline, airports, public transport, banking and financial services.

[1] Transformation Manual, 2005
[2] CIMB, GLCs - Issues & Prospects, June 2004

3 Underlying Principles, 5 Policy Thrusts, 10 Initiatives

The GLCT Programme had **3 Underlying Principles**, **5 Policy Thrusts** and **10 Initiatives**. These were defined in the Transformation Manual, which was released during the official GLCT Programme launch in 2005. The **3 Underlying Principles** are as follows:

1. GLCs must first and foremost be focused on performance
2. Only with performance and results can they be "part of the solution" in helping to develop the country
3. In executing the first 2 Principles, GLCs are expected to operate within a clear governance structure and serve stakeholder interests

Apart from the 3 Underlying Principles, the GLCT Programme also defined **5 Policy Thrusts** which described what needed to be done to enable the key change agents of the GLCT Programme (i.e. Government, GLICs, GLC Boards, GLC management and the PCG Secretariat) to deliver the Programme's objectives.

To support the 5 Policy Thrusts, **10 GLCT Initiatives** were developed and launched for implementation at GLICs and GLCs. The 10 Initiatives were identified on the basis of their importance as levers for change, potential impact on value, and the ability of PCG to drive change in these areas.

As the **3 Underlying Principles** formed the foundation for the GLCT Programme, they also serve as the structure of this report and the basis upon which the performance of the GLCT Programme will be assessed.

(Chapter 1 on the "GLCT Programme Overview" provides further details on the Programme)

3 UNDERLYING PRINCIPLES

The 3 Underlying Principles explain that GLCs must first and foremost be focused on performance (*1st principle*). Only with performance and results can they be "part of the solution" in helping to develop the country (*2nd principle*). In executing the first 2 principles, GLCs are expected to operate within a clear governance structure and serve stakeholder interests (*3rd principle*).

1 PERFORMANCE FOCUS
- Create economic and shareholder value
- Uphold principles of performance and meritocracy

2 NATIONAL DEVELOPMENT FOUNDATION
- Include principles of growth with equity
- Improve total factor productivity
- Develop human capital
- Develop the Bumiputera community

3 GOVERNANCE, SHAREHOLDER AND STAKEHOLDER MANAGEMENT
- Fully observe the rights and governance of shareholders
- Serve all valid stakeholder interests

5 POLICY THRUSTS

The 5 Policy Thrusts describe what needs to be done to enable the five key change agents of the GLCT Programme (i.e. Government, GLICs, GLC Boards, GLC top management and the PCG Secretariat) to deliver the Programme's objectives.

1. Government to clarify the GLC mandate in the context of National Development
2. GLC Boards to enhance their effectiveness and reinforce the corporate governance of GLCs
3. GLICs to enhance their capabilities as professional shareholders
4. GLCs to adopt best practices within their organisations
5. Implement the GLCT Programme

10 INITIATIVES

To support the 5 Policy Thrusts, 10 GLCT Initiatives were developed and launched for implementation at GLICs and GLCs. The 10 Initiatives have been identified on the basis of their importance as levers for change, potential impact on value, and the ability of PCG to drive change in these areas.

Refer to Chapter 5 on "Programme Managing the GLC Transformation" for further details on the 10 Initiatives.

- **GREEN BOOK** – Enhancing Board Effectiveness
- **MINDA** – Malaysian Directors Academy – Strengthening Directors Capabilities
- **GLIC M&M** – GLICs' Monitoring & Management Framework
- **BLUE BOOK** – Intensifying Performance Management Practices
- **RED BOOK** – Procurement Guidelines & Best Practices
- **YELLOW BOOK** – Enhancing Operational Efficiency and Effectiveness
- **SILVER BOOK** – Achieving Value Through Social Responsibility
- **ORANGE BOOK** – Strengthening Leadership Development
- **PURPLE BOOK** – Optimising Capital Management Practices
- **WHITE BOOK** – Creating Value Through Regulatory Management

Delivering Financial Performance

As part of the 1st Underlying Principle of the GLCT Programme, GLCs had to above all be focused on performance and create economic and shareholder value. To do this, GLCs had to uphold principles of performance and meritocracy.

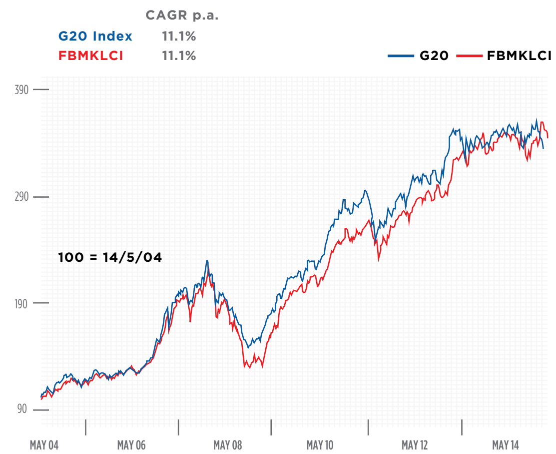
Before the start of the Programme, many GLCs were underperforming their peers and the broader market on numerous operational and financial indicators. Some were struggling to service their debts while others had liquidity problems and were even on the verge of bankruptcy and had to be recapitalised by the Government. 10-years on, GLCs in the GLCT Programme have grown and become high performing entities.

Through the GLCT Programme, GLCs have delivered greater shareholder value

Through a strong focus on performance, GLCs have delivered clear value for shareholders via an increase in Total Shareholder Return (TSR) and market capitalisation.

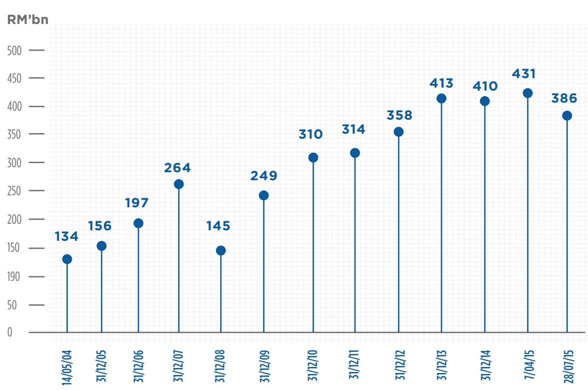
G20 market capitalisation grew 2.9 times (or RM252.2 billion) from RM133.8 billion to RM386.0 billion from 14 May 2004 to 28 July 2015, hitting an all-time high of RM431.1 billion on 7 April 2015. Over the same period, G20 TSR grew 11.1% p.a. There has also been a marked improvement in the financial community's perception of GLCs between FY2008 and FY2014, based on broker surveys of sell-side analysts conducted by PCG.

G20 TSR VS. THE FBMKLCI INDEX



Source: Bloomberg, PCG Secretariat analysis

G20 MARKET CAPITALISATION



Source: Bloomberg, PCG Secretariat analysis

At the outset in 2004, it was a programme that had ambitious, even audacious, multi-fold objectives. The GLC Transformation Programme was first of all, a critical completion of remedial measures in corporate restructuring from the post-Asian Financial Crisis period.

Thereon, by the middle of the Programme around 2008/2009 it was obvious that GLCs, as a whole, had ceased to be a part of the problem and being resilient in the wake of the 2008 Global Financial Crisis, meant it could begin to be part of the solution. We are proud that GLCs have played major roles in the 2009 Stimulus Package, in implementing GTP, ETP, corridor development, in the New Economic Model and, in the Bumiputera Empowerment Agenda.

Perhaps most remarkably, these national development outcomes were delivered concurrently *with strong financial performance* and *significant stakeholder returns across all stakeholder groups. This was always a programme that looked at beyond just financial numbers. It was critical to not just do the right things well; it had also to be done in the right way. While there remain gaps and challenges, it is clear that GLCs in this Programme, as a group, have been able to deliver on its big multi-dimensional mandate. Alhamdullilah.*

Tan Sri Dato' Azman Hj. Mokhtar
Managing Director, Khazanah Nasional Berhad

The performance focus has driven strong growth in GLC profitability

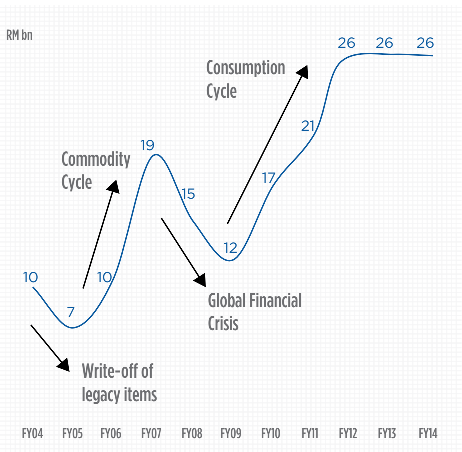
The improvement in shareholder value is mainly attributable to increases in net profits. G20 net profit hit RM26.2 billion in FY2014, close to the all-time high of RM26.3 billion in FY2013 and registered net profit growth of 10.2% p.a. from its starting point of RM9.9 billion in FY2004.

G20 net profit dipped in FY2005 due to write-offs and clean-ups by many GLCs, but saw a clear "J-curve" over the subsequent two years. When the global financial crisis of 2008 hit, the corporate restructuring and operational improvements undertaken as part of the GLCT Programme saw GLCs entering the crisis from a position of strength and they successfully weathered it. After the crisis, G20 net profit trended upwards, and have over the past few years surpassed the pre-crisis peak in FY2007. G20 net profit growth was also assisted by the commodity cycle of 2004-2008 and the consumption cycle of 2009-2012, both of which had positive impacts to G20 revenues and profitability.

Meanwhile, G20 economic profit (EP)[3] improved by RM4.2 billion from an aggregate economic loss of RM3.2 billion in FY05 to an aggregate EP of RM961 million in FY2014. At the same time, G20 ROE hit 11% p.a. on average from FY2004 to FY2014.

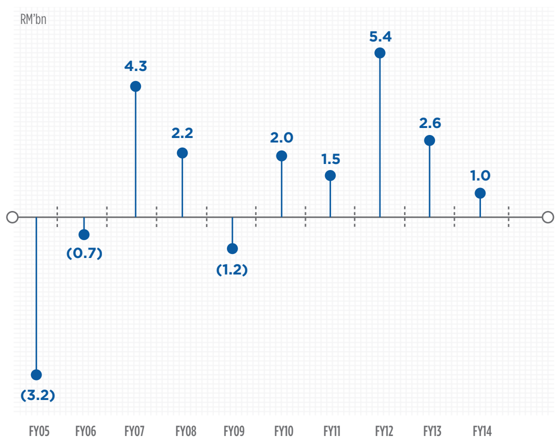
G20 performance is underpinned by discipline in announcing headline KPIs on an annual basis since FY2006. This allowed for the evaluation, monitoring and assessment of the ability of GLCs in meeting financial and operational targets. From FY2006 to FY2014, G20 achieved an average of 66% of their headline KPIs.

G20 NET PROFITS



Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

G20 ECONOMIC PROFIT



Source: G20 submission to PCG Secretariat, PCG Secretariat analysis

[3] EP is an important yardstick to measure value creation to shareholders. It shows a company's net income after deducting shareholders' opportunity cost in investing money in the firm. EP started being tracked since the official launch of the GLCT Programme in FY2005.

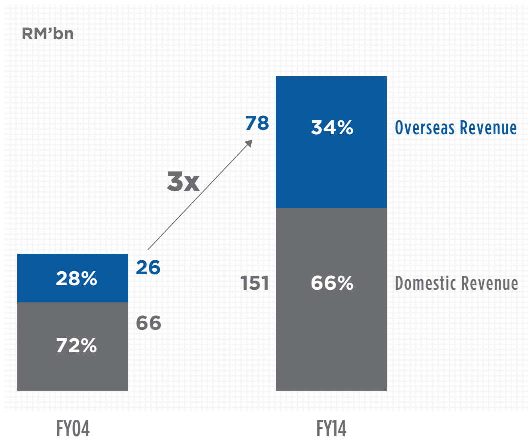
GLCs are more resilient and in a stronger position compared to 2004

A reduction in GLC debt-to-equity over the past ten years has led to stronger balance sheets and better capital management. G20 non-bank gearing has fallen from 51.4% in FY2004 to 45.8% in FY2014. Accordingly, the lower G20 non-bank gearing has resulted in G20 non-bank debt-to-asset ratio falling from 21.9% in FY2004 to 18.3% in FY2014.

At the same time, regional expansion has led to a broader and more diversified GLC customer base. G20 has increased its international presence and now has revenue generating operations in 42 countries, drawing 34%[4] of its total revenue from abroad with an overseas asset base of 26% (this is a growth of 3x and 7x from FY2004, respectively).

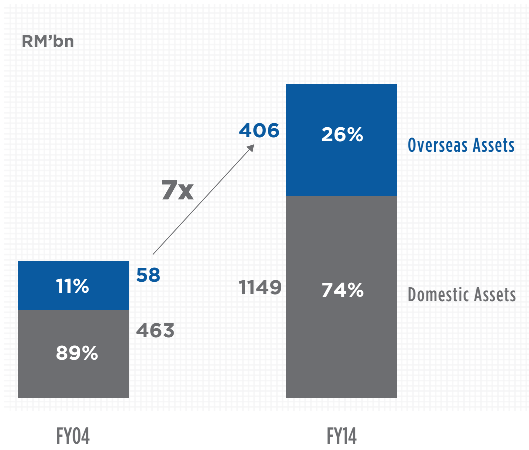
GLCs are now able to withstand greater domestic and external pressures and uncertainties.

G20 DOMESTIC AND FOREIGN REVENUE[4] SPLIT



Source: G20 submission to PCG Secretariat, PCG Secretariat analysis
Note: Revenue consists of non-bank revenue and banking revenue (gross interest income, fee-based income and gross Islamic banking income)

G20 DOMESTIC AND FOREIGN ASSET SPLIT



Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

(Chapter 2 on "Delivering Financial Performance" provides additional details of G20 financial and shareholder performance.)

[4] Revenue consists of non-bank revenue and banking income (gross interest income, fee-based income and gross Islamic banking income), and is made up of 12 non-banks and 5 banks.

Catalysing Nation Building

As part of the 2nd Underlying Principle of the Programme, GLCs have been actively catalysing nation building. They have been important drivers of the economy in executing their five roles in the NEM, as well as key contributors towards the Government's National Transformation Programmes and other national priorities. From 2004 to 2014, G20 made RM153.9 billion worth of domestic investments and employed a Malaysian workforce of 225,050 people.

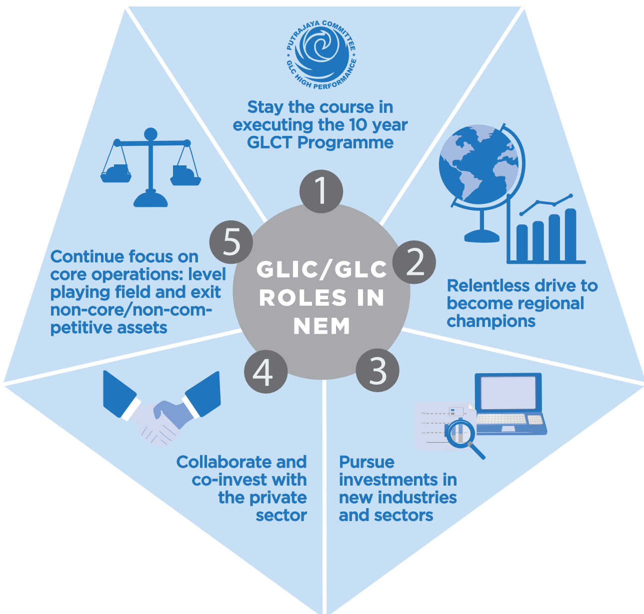
GLICs and GLCs supported nation building through their five roles in the New Economic Model

When the New Economic Model was launched in 2010, PCG aligned the GLCT Programme with this national agenda by announcing five roles the GLICs and GLCs would play to support it. These five roles provided the GLCT fraternity with a common understanding, language and framework to support the NEM.

Over the ten years of the GLCT Programme, GLICs and GLCs have executed and delivered on their five roles.

- **Role 1** : GLICs and GLCs diligently stayed the course in executing their various transformation, turnaround, restructuring and growth programmes.
- **Role 2**: GLICs and GLCs have successfully internationalised with several making a mark regionally and globally.
- **Role 3**: GLICs and GLCs have been leading the way in investing in new, knowledge-based and service-oriented industries and sectors, which are transformative and catalytic in nature. These are aimed at moving the nation further up the economic value chain.
- **Role 4**: GLICs and GLCs have taken the lead in pursuing collaborations with the private sector, both domestically and internationally.
- **Role 5**: GLICs and GLCs have focused on their core operations on a level playing field and have continued to divest non-core and non-competitive assets and free these resources to be optimised by the private sector.

(Chapter 3 on "Catalysing Nation Building" provides more detailed examples of how GLICs and GLCs have implemented their roles in NEM)



From 2004 to 2014, G20 made ***RM153.9 bn*** *worth of domestic investments and employed a Malaysian workforce of* ***225,050 people***

GLCs have strongly supported National Transformation Programmes and other national priorities

GLICs and GLCs have also been playing a significant role in supporting National Transformation Programmes and other national priorities such as:

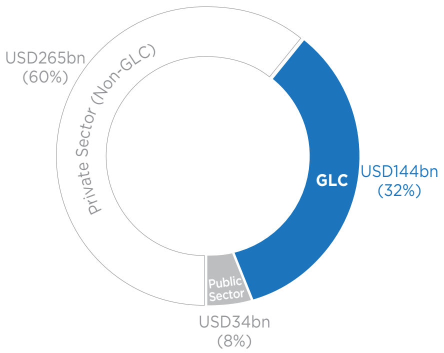
- Supporting the Government Transformation Programme (GTP) and Economic Transformation Programme (ETP)
- Contributing to economic corridors, delivering major infrastructure projects and building Malaysia as an Islamic finance hub
- Promoting inclusivity through workforce diversity and the Bumiputera Empowerment Agenda
- Adopting sustainability practices

Government Transformation Programme and Economic Transformation Programme

Since the introduction of the GTP in 2009, GLCs have actively contributed to the seven National Key Result Areas (NKRAs).

As key corporations within the Malaysian economy, GLCs have also been proponents of the ETP. GLCs made initial commitments to contribute up to 32% of all anticipated funding for the ETP between 2010 - 2020.

ETP FUNDING REQUIREMENTS 2010 - 2020

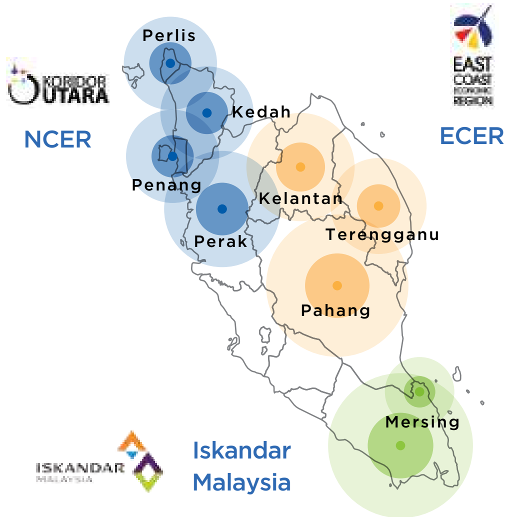


Source: PEMANDU

Throughout the ETP, GLCs have actively supported all ETP National Key Economic Areas (NKEAs) and Strategic Reform Initiatives (SRIs) introduced by the government. GLICs and GLCs have supported the SRIs by being part of the SRIs labs and aligning their business practices to relevant policy measures under the relevant SRIs. Other national programmes in which G20 is involved include the National Digital Economy Initiative (Digital Malaysia), Rural Transformation Centres (RTC) and Urban Transformation Centres (UTC).

Economic Corridors, Infrastructure Projects and Malaysia as an Islamic finance hub

The Ninth Malaysia Plan saw the introduction and launch of five economic corridors. GLICs and GLCs have played key roles as master planners, developers and investors in the Northern Corridor Economic Region (NCER), East Coast Economic Region (ECER) and Iskandar Malaysia.



Beyond these corridors, GLCs have also supported nation building by delivering major infrastructure projects throughout Malaysia. Some of these projects include:

Infrastructure & Transportation

- Sultan Abdul Halim Muadzam Shah Bridge (also known as the Second Penang Bridge)
- klia2
- North-South Expressway
- Klang Valley Mass Rapid Transit (MRT) and Light Rail Transit (LRT)

Communications and Electricity

- Rural electrification programme
- High Speed Broadband
- Universal Service Provision

Integrated Development

- KL Sentral

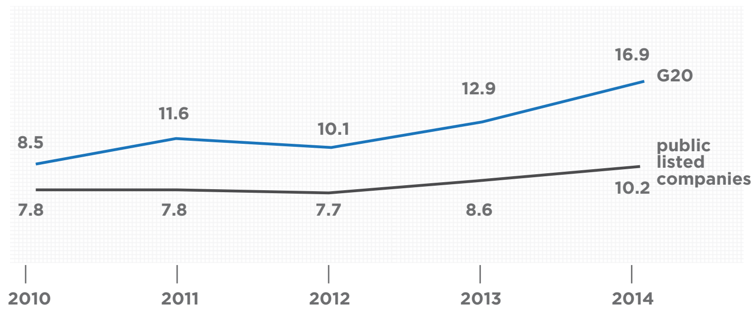
GLICs and GLCs have also played a major role in developing Malaysia as a global Islamic finance hub. Since the beginning of the GLCT Programme, 5 GLCs have been included in the top 100 global Islamic financial institutions. Additionally, 3 GLCs are in the top 5 domestic Islamic finance institutions: Maybank (First place), CIMB (Third place) and BIMB (Fourth place), with Maybank ranked third in the world. Since the introduction of Islamic Finance in Malaysia, GLICs and GLCs have developed and issued multiple innovative sukuk options.

Inclusivity through workforce diversity and the Bumiputera Empowerment Agenda

As Malaysia progresses towards becoming a developed nation by 2020, there is a need for all companies, including GLCs, to play a key role in ensuring this is achieved in an inclusive manner as stated in the New Economic Model.

GLCs are also promoting growth with inclusivity by enhancing diversity of their workforce in terms of gender, ethnicity and age. Most notably in 2014, about 16.9% of G20 and its listed subsidiaries' board positions were held by women, compared to 10.2% for all listed companies in Malaysia.

FEMALE REPRESENTATION IN BOARDS



Source: "Diversity in the Workplace" survey conducted by PwC and commisioned by TalentCorp in September 2013

Diversity in the G20 workforce

38% females

79% Bumiputera

(10% Chinese, 8% Indian, 3% Others)

30% Gen-Y

Additionally, the Government has recognised that inequitable wealth distribution must be addressed for the Nation to grow with inclusivity and sustainability. The country needs to strike a balance between the "capital economy" (e.g. Gross National Income) for growth and the "people economy" (e.g. household income, cost of living, well-being) to ensure long-term stability and sustainability. It was in this context that YAB Dato' Sri Mohd Najib Tun Hj. Abdul Razak launched Bumiputera Economic Empowerment (BEE) on 14 September 2013.

PCG responded by developing the Bumiputera Empowerment Agenda (BEA) to step up existing GLICs' and GLCs' commitments under the Bumiputera Agenda (BA). The BEA was professionalised and placed high on the corporate agenda to ensure long-lasting outcomes and impacts for the Bumiputera community. Some key measures instituted include:

- Bumiputera initiatives carried out in a market-friendly, merit-based and transparent manner
- BEA stewarded and governed at the board level
- BEA key performance indicators (KPIs) and game-changing initiatives (GCIs) established, embedded into corporate scorecards and reported to YAB Prime Minister periodically
- Minimum "compulsory pass" mark of 70% BEA KPIs required
- White Room approach adopted where one-to-one, closed door sessions between the Government and GLIC and GLC heads are conducted

In 2014, GLICs' and G20's economic activities[5] for the Bumiputera community under the BEA KPI initiatives grew to RM43.9 billion from RM34.2 billion in 2013, recording an increase of RM9.7 billion (or 28%), surpassing the RM7 billion target.

(Chapter 3 on "Catalysing Nation Building" provides a more comprehensive view of how GLCs have supported nation building).

***RM43.9 bn** worth of opportunities in 2014, up by **RM9.7 bn** from 2013*

***1,065 Bumiputera vendors** participating in G20 Vendor Development Programmes in 2014*

***RM8.2 bn** in G20 carve-out business opportunities in 2014*

***1,943 Bumiputera graduates** trained by GLICs and G20 through GEMS, SL1M and other training programmes in 2014*

[5] The analysis conducted was based on data reported under KPIs by GLICs and G20

Benefitting All Stakeholders

The 3rd Underlying Principle of the GLCT Programme, is about having good governance and ensuring benefits are not only provided to shareholders, but to all other stakeholder groups such as customers, employees, vendors and suppliers and society.

As a result of G20's strong financial performance, G20 contributed RM108.6 billion in dividends and RM62.7 billion in taxes from FY2004 to FY2014, providing returns to the investing public (including contributors to trust agencies such as EPF and PNB) and the *rakyat* and country.

RM108.6bn

in dividends

from FY04 to FY14, enriching the investing public and contributors to trust agencies such as EPF and PNB

RM62.7bn

in taxes

from FY04 to FY14, benefitting the rakyat and country

GLICs and G20 have also spent over RM6.0 billion on corporate responsibility initiatives and endowments from 2004 to 2014, benefitting the society at large and supporting programmes such as PINTAR Foundation, Yayasan Sejahtera, GLC Disaster Relief Network (GDRN), Graduate Employability Management Scheme (GEMS) and Skim Latihan 1Malaysia (SL1M), which have helped the Malaysian society as a whole.

At least

RM6.0bn

spent
on corporate responsibility initiatives and endowments from 2004 to 2014

6,458

low-income families
benefitted from Yayasan Sejahtera from 2009 to 2014, funded by G20 and other companies

184,052

students
benefited from programmes in 326 G20 adopted schools over the years 2004 to 2014

4,589

unemployed graduates trained
under the Graduate Employability Management Scheme (GEMS) and Skim Latihan 1Malaysia (SL1M) by G20 from 2009 to 2014

For customers, GLCs touch many aspects of customers' lives and have been benefitting customers through enhanced service standards and products. As a testimony of this, GLCs have won many local, regional and international customer related awards.

At least 285

international and local **customer-related awards** won by G20 from 2004 - 2014

For employees, GLCs have been providing competitive compensation, investing in professional development and providing career progression and a conducive work environment. In recognition of benefits they provide to employees, GLCs have won numerous employer awards and employee engagement surveys (EES) have shown high engagement amongst its employees. Average G20 employee engagement index was 78%[6] in 2013, topping the national average of 53%[7] in the same year.

RM4.0bn

spent by G20 on training and development over the years 2004-2014

3,781

non-executives
benefitted from participation in G20's upward mobility schemes (UMS) since its launch in 2013

For vendors and suppliers, GLCs have been building capabilities of local vendors through vendor development programmes and providing business opportunities.

RM98.2bn

worth of business
provided to G20 suppliers in 2014

66,583

suppliers
have been provided with business opportunities in 2014

RM1.8bn

spent
on vendor development programmes (VDPs) in 2014

1,307

vendors
benefitted from participation in G20's VDPs in 2014

(Chapter 4 on "Benefitting All Stakeholders" shows that throughout the GLCT Programme, GLCs provided benefits to all their stakeholders.)

Source: G20 submission to PCG Secretariat, PCG Secretariat analysis

[6] Calculated based on a simple average of employee engagement index scores of G20 companies that conducted employee engagement surveys in 2013
[7] Aon Hewitt, Best Employers Malaysia, 2013

Programme Managing the GLC Transformation

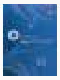
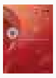
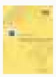
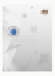
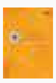
GLCs would not have been as successful in achieving the 3 Underlying Principles of the GLCT Programme, if it were not for the structured programme management approach, which provided the strategic direction, impetus to deliver high performance and "air-cover" to make necessary changes at the GLCs.

After the announcement of the GLCT Programme on 14 May 2004, the PCG was formed in January 2005 as a steering committee for the Programme, to drive the transformation of GLCs into high-performing entities. The PCG had three primary roles, which are as follows:

- Programme stewardship and design
- Initiative roll out, review and transitioning
- Communications and stakeholder engagement

Since the official launch of the GLCT Programme in 2005, a total of 22,981 man days have been dedicated by the PCG, PCG Secretariat, GLICs and GLCs to the Programme. Programme man days involved time spent in planning, execution and participation in Programme activities, including meetings, engagement and syndication sessions, briefings, discussions, workshops, labs and Initiative Circles.

Time spent above, which included the roll out and implementation of the 10 GLCT Initiatives have resulted in the achievement of many outputs, as highlighted below:

10 INITIATIVES	KEY OUTPUTS
	**Institutionalised KPIs and Target Setting** • Headline KPIs were publicly announced on an annual basis and created performance pressure through public accountability • G20 achieved 66% of their headline KPIs on average from FY2006-FY2014
 MINDA	**Enhanced Board Effectiveness and Governance Standards** • Board effectiveness assessments were conducted to analyse strengths and weaknesses at GLC boards • 58 board member changes were made at G20 in the first two years of the Programme, with regulators on Boards replaced with professional and experienced directors • 85 programmes for directors were conducted by MINDA, attended by 1,776 participants
	**Improved Awareness of Leading Procurement Practices and Increased Adoption of Transparent Tender Processes** • Transparent tender processes adopted and VDPs executed • Eight G20 companies have formal VDPs in place • VDP instituted as one of the BEA KPIs
	**Improved Understanding of Innovation and Customer Satisfaction Levels amongst G20** • An innovation assessment and a pilot GLC Customer Satisfaction Index (GCSI) survey identified gaps in innovation capabilities and standards of customer service to be addressed at G20, respectively
	**Improved Social Responsibility and Created Benefits to Society** • Created offshoots such as PINTAR Foundation, Yayasan Sejahtera, GDRN and GEMS • Average RM8.42 social value created for every RM1 invested in 21 selected G20 projects
	**Enhanced Shareholder Activism** • GLICs have become more active shareholders with enhanced monitoring and management capabilities • GLICs have helped deliver GLC growth and achievements, playing active roles in GLC boards and appointment of professionals to these boards
	**Improvement in Development of Leaders** • G20 leadership gap narrowed from 2008 to 2014 • Talent exchanges between GLCs and between GLCs and the Government were conducted • An Accelerated Development Programme (ADP) was carried out to develop high potential employees to take on senior leadership/C-suite positions
	**Improved Capital Management Practices** • Capital management initiatives introduced have led to increased dividend payouts and strengthening of balance sheets
	**Improving Regulatory Capacity** • Assisted in creating regulatory reforms such as the introduction of the Energy Imbalance Cost Pass-through and the establishment of the Malaysian Aviation Commission • UMCoRS was established to improve the regulatory environment through delivery of training and capacity building workshops and conferences, and regulatory research

Insights and Reforms Instituted by the GLCT Programme

Background, journey and insights into the GLCT Programme

As a result of GLC underperformance up to 2004, former Prime Minister Tun Abdullah Ahmad Badawi on 14 May 2004 called for a high performance culture in GLCs and announced the start of the GLCT Programme. Four tough measures were introduced and started the momentum of reform:

- KPIs and performance-linked compensation (PLC)
- Performance contracts for senior management
- Board composition reform
- The revamp of Khazanah

In January 2005, the PCG was formed to sustain momentum created by the launch of the four measures. Khazanah acted as the Secretariat to PCG and adopted a programme management approach. The structure and rigour of a programme, as well as the legitimacy given to push hard changes under this approach, were critical in ensuring the Programme's success. The GLCT Programme was then officially launched on 29 July 2005, with the Prime Minister presenting each of the GLIC chairmen with a copy of the Transformation Manual - a symbolic handing of responsibility to the GLICs to execute and deliver the Programme.

With the foundation laid, GLCs embarked on the ten year journey to transform themselves into high performing companies that would ultimately contribute to the social and economic development of the country.

Over its 10-year journey, the GLCT Programme created impact in several areas:

- Delivered significant financial value, supported nation building and provided benefits to all stakeholders
- Triggered a series of Government transformation programmes - the Programme's use of KPIs and performance contracts indirectly led to the "Minister KPI project", which eventually culminated in what became PEMANDU
- Garnered international recognition - the success of the Programme was recognised in international publications and also drew interest from foreign delegations (PCG hosted at least 35 foreign delegations from 2006 to early 2015)
- Established successful offshoots from the GLCT Programme Initiatives - such as PINTAR Foundation (PF), Yayasan Sejahtera (YS), Graduate Employability Management Scheme (GEMS), GLC Disaster Relief Network (GDRN) as well as the Malaysian Directors' Academy (MINDA) and University Malaya – Malaysian Centre of Regulatory Studies (UMCORS)
- Generated leadership opportunities for talented young professionals - this created a "waterfall effect" of attracting and grooming professional talent by themselves in turn attracting other young professionals to work with them.

The Programme was able to achieve this impact because of the following key success factors:

- Leadership at the highest-level, which provided necessary "air cover" for radical changes
- Strong and qualified leaders at the helm of GLCs to drive change at the organisation level
- Headline KPIs and annual progress reviews that instilled a spirit of performance, accountability and transparency
- Strategic reviews (or "stock-takes") that enabled course corrections to be made, where needed
- Consistency and discipline in programme management and execution to "stay the course"
- Collective power through collaboration where G20 as a collective unit was able to accomplish more together, than they would have apart

Critiques and reforms instituted by the GLCT Programme

The GLCT Programme has not been without challenges. Specifically, the role of government in business continues to be a hotly-debated topic the world over. In Malaysia, three common critiques levelled against GLCs are:

1. "Crowding-out" of the private sector
2. Political influences in decision-making
3. Underperformance of GLCs

The GLCT Programme's reforms were applied to the GLCs under the five GLICs (a small subset of the estimated total of 445[7] government-linked companies in Malaysia) and addressed some of the common critiques.

Through the course of the GLCT Programme, there was an active shift by GLICs and GLCs from direct investors towards facilitation of private investment - in alignment with roles three to five of the five roles of GLICs and GLCs in the NEM. This was done by taking advantage of the scale of GLICs and GLCs to make the necessary up front capital investment and take on the initial risk to encourage or support private sector players. Khazanah, for example, was instrumental in developing Iskandar Malaysia - being involved in its master plan, facilitating investments in infrastructure as well as placing strategic investments in new sectors.

There were also examples of collaborations between GLCs and the private sector, such as the collaboration between MRCB and Ekovest in the KL City beautification project, amongst others. GLCs have also been paring down and divesting non-core and non-competitive assets to encourage greater entrepreneurial participation. Some examples include Sime Darby's divestments of Teluk Ramunia, Pasir Gudang Yard and Guthrie Corridor Expressway Sdn. Bhd. as well as Khazanah's strategic divestment of TIMEdotCom. These efforts have in fact seen the "crowding-in" of private sector participation in the economy.

The Programme also made efforts to move the "Government" away from the "Companies" in "Government-Linked Companies" in line with the 3rd Underlying Principle of the GLCT Programme. The Green Book on "Enhancing Board Effectiveness" removed some ambiguities and assumptions on sometimes sensitive issues. For example, it clarified who should sit on GLC boards, described how and why boards should be assessed and provided a framework for GLC Boards to improve their effectiveness. G20 made 58 board member changes in the first two years of the Programme, removing ex-civil servants, regulators and serving members of parliament on boards of GLCs. This exemplifies improved GLC governance.

At the same time, the Initiative books over areas such as procurement and social responsibility provided "air-cover" to ensure GLCs under the Programme were commercially driven. The Red Book on "Procurement Guidelines and Best Practices" aimed to minimise rent seeking behaviour in procurement policies. For example, it helped pass an amendment that eliminated Ministry of Finance approval for GLC procurement contracts larger than RM 100 million, reducing bureaucracy and potential rent seeking.

The Silver Book on "Achieving Value through Social Responsibility" on the other hand, ensured that GLCs should not be asked to undertake developmental or social obligations beyond what is expected of other private companies. The provision of rural air services to Sabah and Sarawak is a good example of how a GLC secured government subsidies to ensure the sustainability of the public service. GLCs continue to push for the set-up of a good regulatory environment through the White Book on "Creating Value through Regulatory Management", with some gains achieved over the last ten years such as the fuel cost pass-through mechanism for TNB and the establishment of the Malaysian Aviation Commission.

[7] National Economic Advisory Council, New Economic Model for Malaysia, 2010

Finally, the most visible change brought about by the GLCT Programme is the culture of performance instilled at GLCs which transformed GLCs from underperformance into high performing entities. Performance contracts for senior management were introduced, with pay and renewal dependent on achievement of targets. Headline KPIs were announced annually, creating public accountability and adding pressure on GLCs to perform. New CEOs were brought in to execute the GLCT Programme reforms and greater

emphasis was placed on succession planning. As a result of these efforts, GLCs have made great strides and improvements over the last ten years, and continue to meet or outperform the broader market for most major indicators.

There continue to be critiques of GLCs but the GLCT Programme has instituted much needed reform at least among the participating GLCs and has garnered much local and international recognition. These GLCs have become "part of the solution" rather than "part of the problem," giving a good example of reform and high performance - to other GLCs, the Government and civil service.

(Chapter 6 on "Insights and Reforms instituted by the GLCT Programme" provides unique insights and a "peak behind the curtains" into the GLCT Programme, as well as addresses common critiques on GLCs.)

Way Forward

Over the 10-year GLCT Programme, GLCs have transformed into stronger, more resilient and higher performing entities, contributed significantly to nation building and provided benefits to all stakeholders. GLCs have also internationalised, with several making a mark regionally and globally. By and large, the GLCT Programme has accomplished what it set out to do.

The journey for GLCs however is far from over with a tougher external environment to operate in and new and existing internal challenges, such as:

- Recent softening of their financial and operational performance
- Moving beyond "low hanging fruit" and achieving the next wave of growth
- Heightened pace of globalisation, liberalisation and regulations
- Facing complexities of operating across many different geographies
- Enhancing their talent and human capital management practices

Additionally much more would be expected from GLCs in the runway to 2020 and beyond as Malaysia continues its transition towards becoming a high-income nation.

Thus, the term Programme "graduation" (as opposed to "end") is used to signify that GLCs will need to continue delivering the 3 Underlying Principles of the Programme, immediately and long after Programme graduation.

Moving forward, GLCs should:

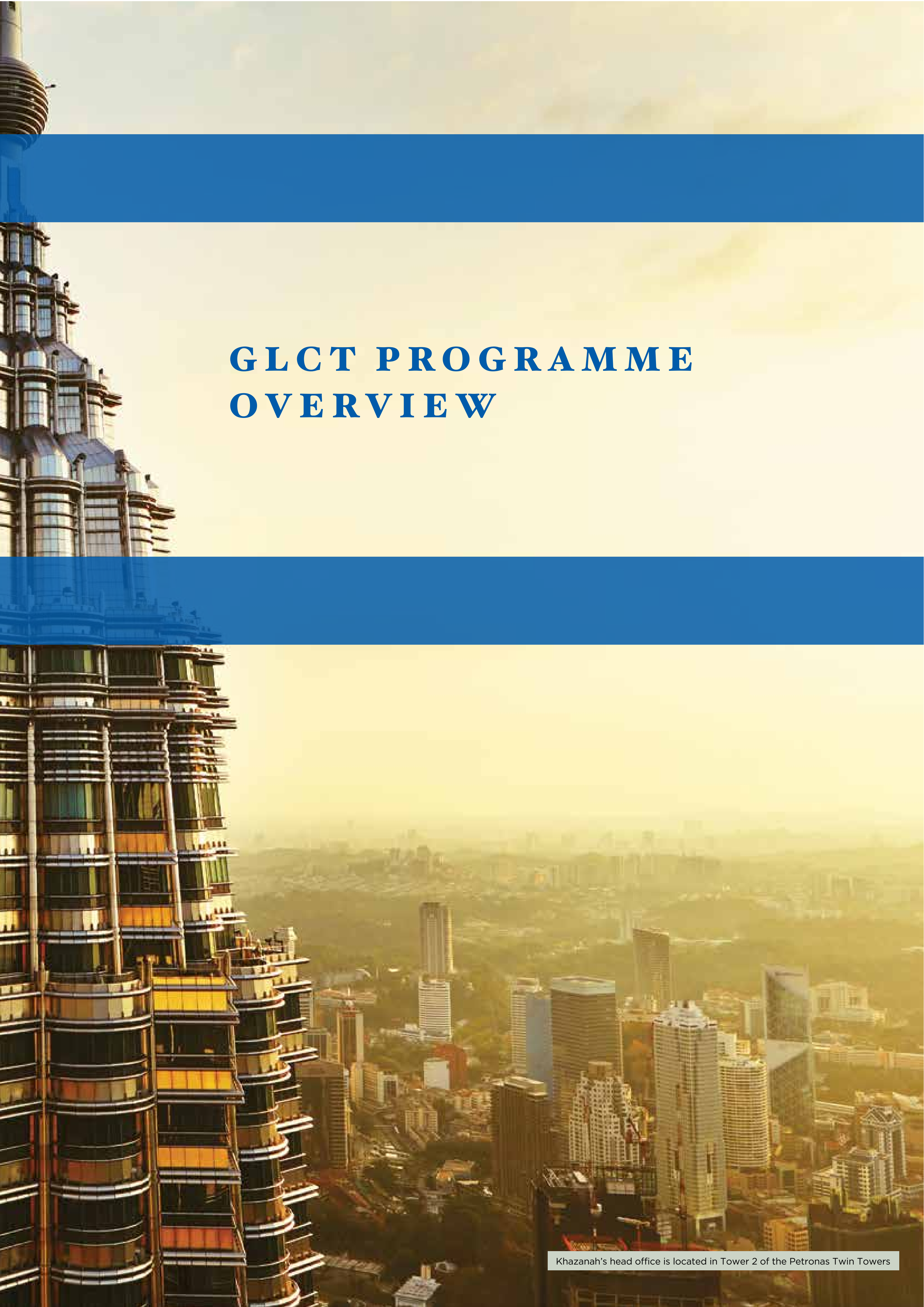
- Deliver high performance with the goal of becoming world class companies and global champions, which meet and set global standards and embrace leading business practices
- Build and shape the Nation by continuing to execute the five roles in NEM, supporting and shaping other national priorities while promoting growth with inclusivity and sustainability
- Elevate themselves from well governed companies to become strong, responsible and great institutions to serve as forces of good for the coutnry
- Establish a successor entity to sustain the 3 Underlying Principles of the Programme, foster business collaboration and build knowledge capital

Beyond that, GLICs and GLCs should continue the spirit of fraternity defined through the GLCT Programme, and continue to work together to help support Malaysia achieve its high-income nation status by 2020.

As a result of these efforts, GLCs as a group, have achieved significant growth and results over the last ten years, and continue to outperform the broader market for all major indicators. As they continue their transformation, the foundations provided by the GLCT Programme should allow them to continue their growth and continue to be a "force for good" in Malaysia.

1

GLCT PROGRAMME OVERVIEW



Khazanah's head office is located in Tower 2 of the Petronas Twin Towers

The Government-Linked Companies Transformation (GLCT) Programme was a ten year programme focused on transforming Malaysia's Government-Linked Companies (GLCs) into high-performing entities. The GLCT Programme had 3 Underlying Principles as follows:

1. Performance Focus – GLCs must above all be focused on performance, and create economic and shareholder value.
2. National Development Foundation – Only with high performance could GLCs become part of the solution, and help Malaysia towards 2020.
3. Governance, Shareholder and Stakeholder Management – To effectively execute the first two Underlying Principles, GLCs needed to have good governance and they also had to ensure that while pursuing shareholder value creation, they serve all stakeholder interest such as customers, employees, vendors and the society at large

To deliver these Underlying Principles, the GLCT Programme included 5 Policy Thrusts that described what was needed to be done to deliver the Programme's objectives, and 10 Initiatives that provided GLICs and GLCs with best practices and case studies to help with the execution of the Policy Thrusts.

towards a **developed nation** by **2020**

1 GLCT Programme Overview

A. Background of the GLCT Programme

GLCs play an integral role in the Malaysian economy by providing mission-critical services, such as, electricity, telecommunications, financial services, transportation, and infrastructure development, and catalysing the development of strategic sectors.

However, prior to 2004, many GLCs underperformed the broader Malaysian market, both financially and operationally – a trend that risked derailing the country's efforts to become a developed nation by 2020. The transformation of GLCs was imperative in order to catalyse Malaysia towards achieving developed nation status.

On 14 May 2004, the fifth Prime Minister of Malaysia Tun Abdullah Ahmad Badawi announced that transformation of GLCs was a national priority, leading to the official launch of the GLCT Programme on 29 July 2005. The Programme aimed to create high performing GLCs which can help accelerate the country's social and economic development.

When Prime Minister, YAB Dato' Sri Mohd Najib Tun Hj. Abdul Razak, took office in 2009, he announced that the Government is committed to ensure GLC transformation continues, if anything, with greater urgency and focus. He also said ***GLCs must aspire to greater heights, whether as best in their class or emerging as future regional if not global champions.***

(See Section 6.1 on the "Background, Journey and Insights into the GLCT Programme" for further details on the Programme.)

YAB Prime Minister Dato' Sri Mohd Najib Tun Hj. Abdul Razak giving his speech at Invest Malaysia 2009

Tun Abdullah Ahmad Badawi giving his speech at the official GLCT Programme launch on 29 July 2005 at the KL Convention Center

(From left) Tan Sri Ismee Ismail, Tan Sri Mohd Sidek Hassan, Dato' Ir Lim Siang Chai,Tan Sri Dato' Azman Hj. Mokhtar, Tan Sri Dato' Sri Hamad Kama Piah Che Othman, YAB Prime Minister Dato' Sri Mohd Najib Tun Hj. Abdul Razak, Tan Sri Nor Mohamed Yakcop, Tan Sri Dato' Seri Hj. Lodin Wok Kamaruddin and Tan Sri Azlan Zainol at the inaugural GLC Open Day 2011

B. GLCT Programme's 3 Underlying Principles, 5 Policy Thrusts and 10 Initiatives

The GLCT Programme had 3 Underlying Principles, 5 Policy Thrusts and 10 Initiatives (see Exhibit 1.1). These were developed and documented in the Transformation Manual, which was released during the official launch of the GLCT Programme on 29 July 2005.

EXHIBIT 1.1: GLCT PROGRAMME'S 3 UNDERLYING PRINCIPLES, 5 POLICY THRUSTS AND 10 INITIATIVES

3 UNDERLYING PRINCIPLES

The 3 Underlying Principles explain that GLCs must first and foremost be focused on performance (1st principle). Only with performance and results can they be "part of the solution" in helping to develop the country (2nd principle). In executing the first two principles, GLCs are expected to operate within a clear governance structure and serve stakeholder interests (3rd principle).

1 PERFORMANCE FOCUS

- Create economic and shareholder value
- Uphold principles of performance and meritocracy

5 POLICY THRUSTS

The 5 Policy Thrusts describe what needs to be done to enable the five key change agents of the GLCT Programme (i.e. Government, GLICs, GLC Boards, GLC top management and the PCG Secretariat) to deliver the Programme's objectives.

POLICY THRUST 1

The Government to clarify the GLC mandate in the context of National Development

POLICY THRUST 2

GLC Boards to enhance their effectiveness and reinforce the corporate governance of GLCs

10 INITIATIVES

To support the 5 Policy Thrusts, 10 GLCT Initiatives were developed and launched for implementation at GLICs and GLCs. The 10 Initiatives have been identified on the basis of their importance as levers for change, potential impact on value, and the ability of Putrajaya Committee on GLC High Performance (PCG) to drive change in these areas.

(See Chapter 5 on "Programme Managing the GLC Transformation" for further details on the 10 Initiatives.)

GREEN BOOK

Enhancing Board Effectiveness

MINDA

Malaysian Directors Academy – Strengthening Directors Capabilities

When the GLCT Programme started in 2004, it introduced a set of well-crafted initiative books and a comprehensive approach to execution, both of which allowed the Programme to meet its targets in supporting the GLC Transformation.

Dato' Sri Abdul Wahid Omar
Minister in the Prime Minister's Department, Economic Planning Unit

2 NATIONAL DEVELOPMENT FOUNDATION

- Include principles of growth with equity
- Improve total factor productivity
- Develop human capital
- Develop the Bumiputera community

3 GOVERNANCE, SHAREHOLDER AND STAKEHOLDER MANAGEMENT

- Fully observe the rights and governance of shareholders
- Serve all valid stakeholder interests

POLICY THRUST 3

GLICs to enhance their capabilities as professional shareholders

POLICY THRUST 4

GLCs to adopt best practices within their organisations

POLICY THRUST 5

PCG Secretariat to implement the GLCT Programme

GLIC M&M
GLICs' Monitoring & Management Framework

BLUE BOOK
Intensifying Performance Management Practices

RED BOOK
Procurement Guidelines & Best Practices

YELLOW BOOK
Enhancing Operational Efficiency and Effectiveness

SILVER BOOK
Achieving Value Through Social Responsibility

ORANGE BOOK
Strengthening Leadership Development

PURPLE BOOK
Optimising Capital Management Practices

WHITE BOOK
Creating Value Through Regulatory Management

C. Stewardship and Implementation Plan

The PCG was formed in January 2005 as a steering committee for the Programme, to drive the transformation of GLCs into high-performing entities. The PCG was chaired by the Prime Minister and comprised of the Minister of Finance II, the Minister in the Prime Minister's Department in charge of the Economic Planning Unit (EPU), the Chief Secretary to the Government, the Secretary General of Treasury and the Deputy Secretary General of Treasury, as well as heads of the GLICs, namely, EPF, Khazanah, LTAT, LTH and PNB. Khazanah was the secretariat to the PCG and managed the roll-out and implementation of the GLCT Programme.

GLC Chairmen and CEOs were not permanent members of the PCG but had been invited to attend PCG meetings over the past several years.

The Joint Working Team (JWT), which consisted of the five GLICs' representatives, supported the PCG Secretariat. The main roles of the JWT were to oversee and coordinate Programme activities, as well as to track, monitor and report on the progress of their respective GLCs.

(See to Exhibit 1.2 for the GLCT Programme governance structure.)

1. Tan Sri Dato' Seri Hj. Lodin Wok Kamaruddin
2. Tan Sri Dato' Sri Hamad Kama Piah Che Othman
3. Tan Sri Nor Mohamed Yakcop
4. Dato' Seri Hj. Ahmad Husni Mohamad Hanadzlah
5. Tan Sri Ismee Ismail
6. Dato' Sri Mohd Najib Tun Hj. Abdul Razak
7. Tan Sri Dr. Ali bin Hamsa
8. Dato' Sri Abdul Wahid Omar
9. Tan Sri Dr. Mohd Irwan Serigar bin Abdullah
10. Datuk Shahril Ridza Ridzuan
11. Tan Sri Dato' Azman Hj Mokhtar
12. Dato' Fauziah Yaacob

EXHIBIT 1.2: GLCT PROGRAMME GOVERNANCE STRUCTURE

PCG

- **YAB Prime Minister (Chairman)**
  Dato' Sri Mohd Najib Tun Hj. Abdul Razak
- **Minister of Finance II**
  Dato' Seri Hj. Ahmad Husni Mohamad Hanadzlah
- **Minister in the Prime Minister's Department**
  Dato' Sri Abdul Wahid Omar
- **Chief Secretary to the Government**
  Tan Sri Dr. Ali bin Hamsa
- **Secretary General of Treasury**
  Tan Sri Dr. Mohd Irwan Serigar bin Abdullah
- **Deputy Chairman, Khazanah Nasional Berhad (former Chairman of PCG)**
  Tan Sri Nor Mohamed Yakcop
- **Chief Executive Officer, Employees Provident Fund**
  Datuk Shahril Ridza Ridzuan
- **Managing Director, Khazanah Nasional Berhad (Secretariat)**
  Tan Sri Dato' Azman Hj. Mokhtar
- **Chief Executive Officer, Lembaga Tabung Angkatan Tentera**
  Tan Sri Dato' Seri Hj. Lodin Wok Kamaruddin
- **Group Managing Director and Chief Executive Officer, Lembaga Tabung Haji**
  Tan Sri Ismee Ismail
- **President and Group Chief Executive, Permodalan Nasional Berhad**
  Tan Sri Dato' Sri Hamad Kama Piah Che Othman
- **Deputy Secretary General of Treasury**
  Dato' Fauziah Yaacob

PROGRAMME STEWARDSHIP AND DESIGN

INITIATIVE ROLL OUT, REVIEW AND TRANSITIONING

COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT

G20

INVITED TO PROVIDE VIEWS AND ENGAGE IN DIALOGUE SESSIONS

- Chairmen
- CEOs

JWT

- **Secretariat:**
  Khazanah Nasional Berhad
  - Mohd Izani Ashari
- **GLIC Representatives:**
  Employees Provident Fund
  - Mohamad Nasir Ab. Latif
  - Sharifah Maarof

  Lembaga Tabung Angkatan Tentera
  - Abdul Shukur Aziz
  - Mohd Saubae Roslan

  Lembaga Tabung Haji
  - Abdul Gaffor Sahul Hamid
  - Mohd Anuar Othman

  Permodalan Nasional Berhad
  - Datin Paduka Kartini Hj. Abdul Manaf
  - Iswan Rizal Ishak
  - Mohamad Idros Mosin

OVERSEE AND COORDINATE PROGRAMME ACTIVITIES

TRACK, MONITOR AND REPORT PROGRESS

Looking back, the GLCT Programme has done remarkably well in managing the sheer enormity of the original mandate. GLCs have improved tremendously in terms of financial performance and have benefited many stakeholders. This is indeed a great achievement.

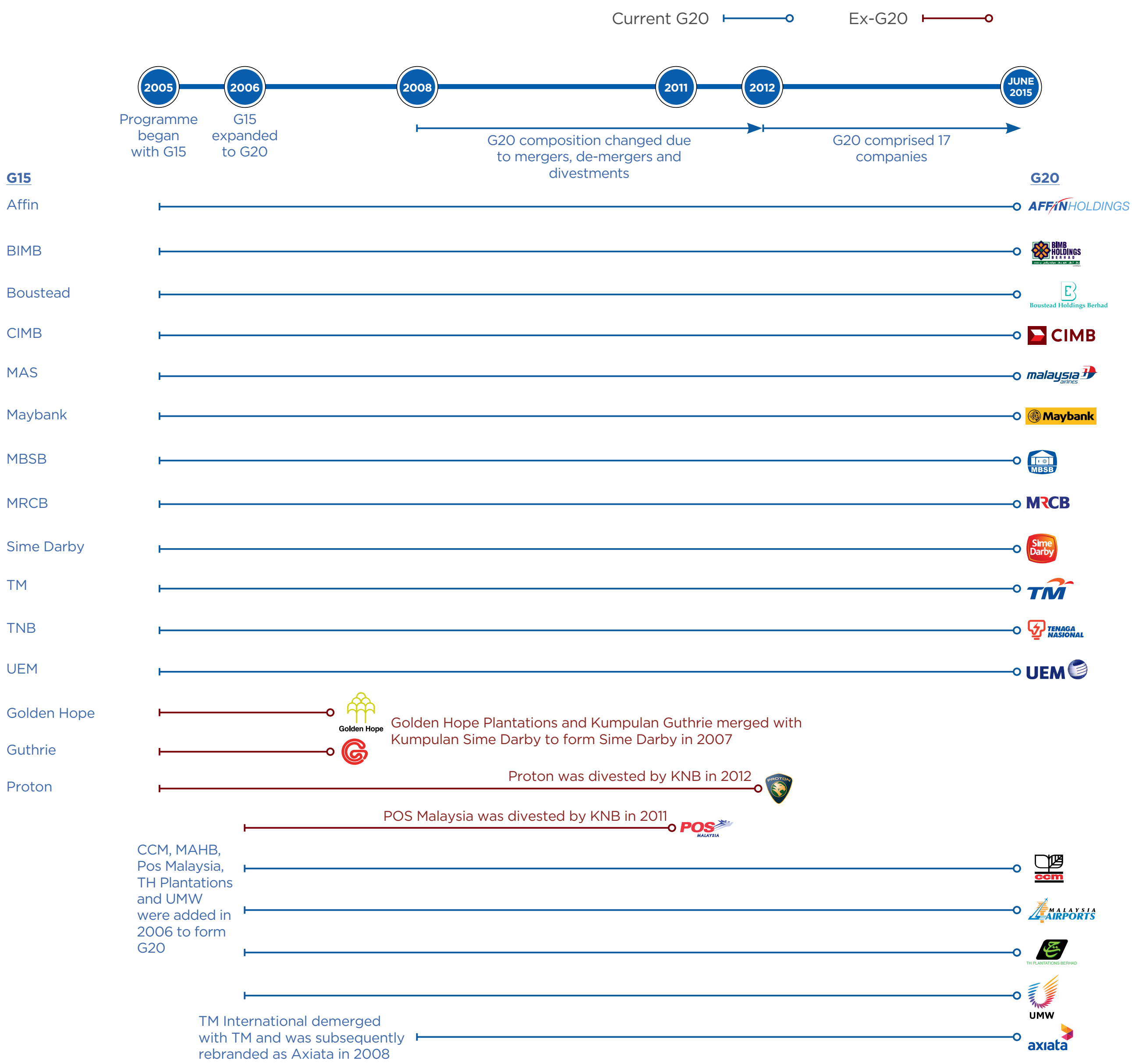
Tan Sri Dato' Md Nor Md. Yusof
Chairman, Malaysia Airlines Systems Berhad

D. Coverage of the GLCT Programme

The GLCT Programme covered five federal-owned GLICs, namely, EPF, Khazanah, LTAT, LTH, and PNB, as well as the GLCs under them[1]. At the start of the Programme in 2005, "G15" was selected to act as a proxy for the performance of the GLCs under the five GLICs as they were the larger GLCs under the purview of these GLICs and accounted for 65% of the market capitalisation of listed GLCs when the Programme was announced on 14 May 2004[2].

In 2006, "G15" was expanded to "G20," with the inclusion of CCM, MAHB, POS Malaysia, TH Plantations and UMW. From 2007 to 2012, the number of GLCs in G20 varied due to mergers, de-mergers and divestments. (See Exhibit 1.3 for the changes in G15 and G20 composition from 2005 to 2015).

EXHIBIT 1.3: CHANGES IN G15 AND G20 COMPOSITION FROM 2005 TO 2015



[1] The GLCT Programme covers GLCs where control of a company is exerted by a federal-level Government-Linked Investment Company (GLIC), either in terms of super control (where one GLIC is the majority shareholder) or simple control (where a GLIC is the single largest shareholder). Control is defined by the ability to exercise and influence major decisions such as appointment of Board members and senior management, award of tenders and contracts at the Board and so on. Subsidiaries of such GLCs would also fall within the purview of the GLCT Programme

[2] GLCT Programme Transformation Manual, 2005

E. Alignment with Key National Agendas

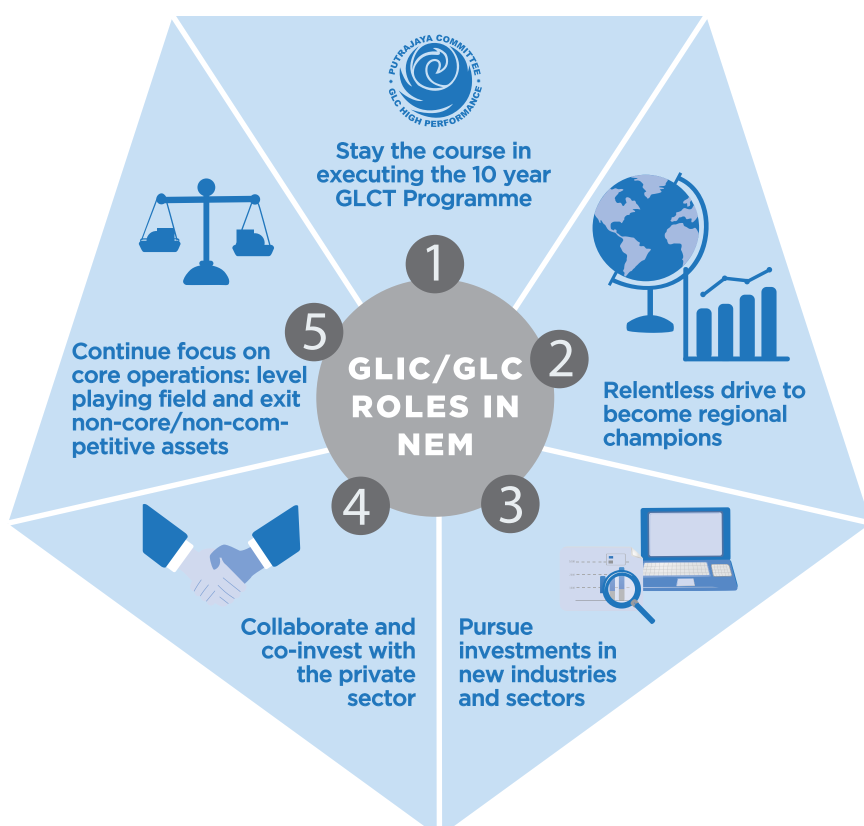
In March 2010, the Government launched the New Economic Model (NEM) for Malaysia to become a developed and competitive economy. This is part of several interventions to shape the nation towards becoming a high income, inclusive and sustainable economy by 2020. In response to the launch of the NEM, the PCG announced five roles for GLICs and GLCs to align with and support the NEM. The five roles provided the GLCT fraternity with a common understanding, language and framework on how to support the NEM (see Exhibit 1.4).

In addition to GLCs' alignment with the NEM, they have also been supporting other National Transformation Programmes, such as the Government Transformation Programme (GTP) and Economic Transformation Programme (ETP).

GLCs have also been actively increasing their efforts to elevate diversity, inclusivity and sustainability practices within their organisations, including the implementation of work-life practices to encourage greater female participation in the workforce. In 2013, the PCG launched the Bumiputera Empowerment Agenda (BEA) to support the national Bumiputera Agenda (BA).

(Refer to Chapter 3 on "Catalysing Nation Building" for further details on GLCs' efforts in this area.)

EXHIBIT 1.4: FIVE ROLE OF GLICS AND GLCS IN NEM

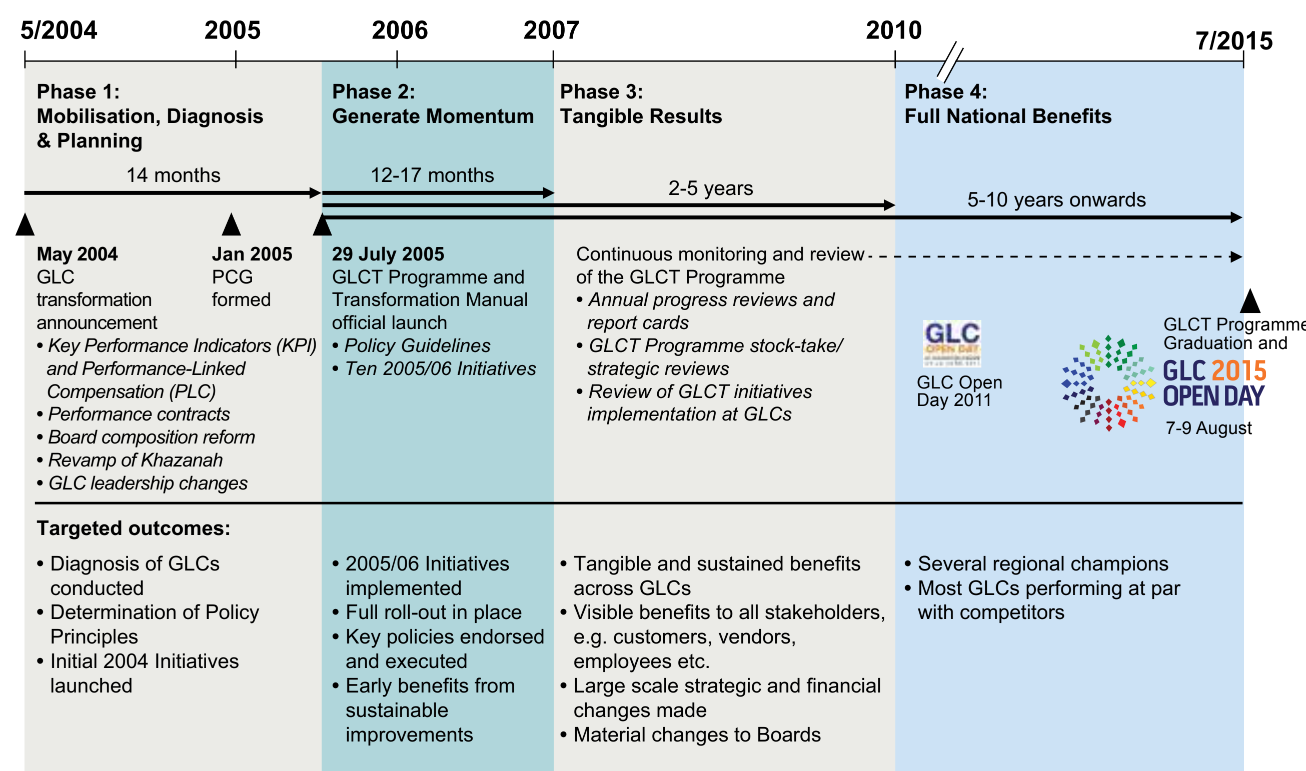


Source: PCG, GLCs Primed to Support Government's Efforts in NEM Implementation, 6 May 2010

F. Four Phases of the Programme and Key Milestones over the Past Ten Years

The GLCT Programme was designed as a long-term programme with the full benefits expected to be gained over the long run. As such, the PCG set a target of ten years to 2015 for the nation to reap the full benefits, with intermediate phases where partial yet significant impact could be achieved. The four phases of the ten year GLCT Programme are outlined in Exhibit 1.5. Some of the key milestones from 2004 to 2015 are shown in Exhibit 1.6.

EXHIBIT 1.5: FOUR PHASES OF GLCT 10-YEAR PROGRAMME



The Programme served as a "wake up call" to GLCs. It provided the tools needed for transformation and enforced discipline through the PCG that monitored the progress of GLCs. Overall, the Programme was well planned and executed.

Dato' Seri Hj. Ahmad Husni Mohamed Hanadzlah
Minister of Finance Minister II

EXHIBIT 1.6: SELECTED KEY GLOBAL, NATIONAL, GLCT PROGRAMME, GLIC AND G20 MILESTONES FROM 2004 TO JULY 2015

- Global
- National
- GLCT Programme
- GLICs
- G20

2004

- Malaysia's 11th general election. YAB Tun Abdullah Ahmad Badawi re-elected to office
- Fifth Prime Minister Tun Abdullah Ahmad Badawi announced the start of GLC Transformation at the seminar on "Culture of High Performance for GLCs"
- Start of Khazanah's strategic revamp. Khazanah received a new mandate from the Government to be an active shareholder and to drive the transformation of GLCs

2005

- Launch of the Ninth Malaysia Plan
- Formation of the PCG
- First PCG meeting held on 5 February 2005
- Official launch of the GLCT Programme, 29 July 2005
- Completed the merger of AFFIN Bank Berhad and AFFIN-ACF Finance Berhad (now known as AFFIN-ACF Capital Sdn Bhd) on 1 June 2005
- Acquired controlling interest in BP's retail petrol business which was rebranded as BHPetrol
- Acquisition of Duopharma Biotech Bhd, a leading manufacturer in niche pharmaceutical products such as "Small Volume Injectables" (SVIs)
- Acquired GK Goh Securities in Singapore to create a regional investment bank
- Acquired Malaysia National Insurance Bhd and its subsidiary Takaful Nasional Sdn Bhd to expand insurance and takaful services

2006

- Launch of GLCT Programme Initiative Books
- Announcement of Headline KPIs
- Launch of the PINTAR programme
- Launch of MINDA
- Conducted the first strategic review of the Programme ("stock-take")
- AFFIN Islamic Bank Berhad commenced its business operation on 3 April 2006
- Implementation of an aggressive five-component turnaround plan
- Merger of CIMB, Bumiputra-Commerce Bank and Southern Bank into a regional universal bank
- MAHB became the first in the region to recognise the booming Low-Cost Carrier (LCC) sector by opening the first dedicated terminal for LCCs (LCCT-KLIA)
- THP listed on the main board of Bursa Malaysia Securities Berhad and was voted by The Edge financial publication as the best performing Main Board Initial Public Offering (IPO) of 2006
- TNB listed as one of the biggest utility companies in ASEAN on the FTSE/ASEAN 40 Index

2007

- Implementation of GLCT Initiatives
- The Bank of East Asia, Limited became one of the substantial shareholders of AFFIN Holdings Berhad
- KLIA was accorded the title of World's Best Airport in the 15-25 million passengers per annum category for three consecutive years, from 2005 to 2007
- MAS reports a swing of RM2.1 billion in operational improvement resulting in RM851 million profit for FY2007, its highest in 60 years as a result of the Business Transformation Plan (BTP)
- Merger between Kumpulan Sime Darby Bhd, Golden Hope Plantations Bhd and Kumpulan Guthrie Bhd to create Malaysia's largest company, Sime Darby
- UMW began its corporate rebranding exercise, to support the Group's global expansion plans and transform itself into a world- class organisation

2008

- Global Financial Crisis (GFC)
- Malaysia's 12th general election. YAB Tun Abdullah Ahmad Badawi re-elected for a second term
- Introduction of the first Economic Stimulus Package (ESP1) of RM7.0 billion
- Launch of PINTAR Foundation
- Launch of the White Book
- Launch of UMCORS
- Launch of Cross-Assignment Programme
- EPF established the International Social Security Association (ISSA) Sub-Regional Office to enhance cooperation among social security organisations of ASEAN members in the area of social security development
- Established China and India offices, extending Khazanah's footprint into two of the world's largest economies
- Established PNB's third global office in Tokyo, Japan, expanding its geographical presence beyond the domestic market, Singapore and the United Kingdom
- Telekom Malaysia Berhad (TM): Demerger of TM and listing of Axiata
- CIMB Niaga emerges as fifth largest bank in Indonesia with merger of Bank Niaga and Bank Lippo
- Expanded into ASEAN via acquisition of PT Bank Internasional Indonesia and An Binh Bank of Vietnam
- Malaysia's RM11.3 billion High-Speed Broadband (HSBB) project commenced, involving a public-private partnership between TM and the Government to build a national HSBB network

2009

- Introduction of the second Economic Stimulus Package (ESP2) of RM60 billion
- Prime Minister Dato' Sri Mohd Najib Tun Hj. Abdul Razak took office
- Establishment of the Performance Management and Delivery Unit (PEMANDU)
- Launch of GEMS
- Launch of Yayasan Sejahtera
- Conducted the second strategic review of the Programme ("stock-take")
- Divestment of TIME dotCom
- Purchase of the Innovative Group of Companies, a global market leader in the niche segment of manufacturing polymer coatings for the rubber glove industry
- New Chief Executive Officer Dato Ahmad Zaini Othman initiated the "Taking MBSB to the Next Level" transformation programme
- UMW ranked among the Top Five Most Admired Companies in Malaysia by the Wall Street Journal Asia 2009 Survey

2010

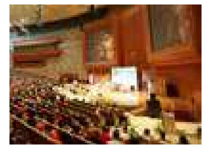
- Launch of the NEM, Tenth Malaysia Plan, GTP and ETP
- PCG announcement of the 5 roles for GLICs and GLCs to align with and support the NEM
- Bank Islam embarked on its new three-year Sustainable Growth Plan (2010-2012)
- Official launch of The Royale Chulan Hotel Kuala Lumpur
- Acquired GSB Sentral Sdn Bhd, a property development company that owns Lot 348 Sentral, which houses Shell Tower and Ascott

2011

- Launch of SL1M by YAB Prime Minister Dato' Sri Mohd Najib Tun Hj. Abdul Razak
- GLC Open Day held to enhance public awareness of the roles played by GLCs
- Divestment of Pos Malaysia Berhad
- Opened Curve NX, housing Malaysia's first international awardwinning children's indoor theme park, KidZania Kuala Lumpur
- Acquired MHS Aviation Berhad, making the Group's entry into the aviation sector
- TM collaborates with NTT to establish a new submarine cable system, Cahaya Malaysia, connecting Malaysia to Hong Kong and Japan
- UEM Land and Sunrise merge, making UEM Land the largest property developer in Malaysia
- Concluded RM34 billion acquisition of the assets and liabilities of PLUS Expressways Berhad

2012

- Implementation of minimum wage led by GLCs



- GLC employees townhall with YAB Prime Minster
- Highest achievement in G20 Headline KPI @ 77%
- Conducted self assessment survey on the adoption of Initiative Books (Purple, Red, Orange)
- Conducted Silver Book Implementation Assessment
- Divestment of Proton Holdings Berhad
- PNB acquired three properties in London namely, Milton & Shire Houses, One Exchange Square and 90 High Holborn
- Axiata Establishes Market Leadership Position in Cambodia with the Merger of "Hello" and "Smart"
- Emerged as one of the largest Asia-based investment banks with acquisition of selected Royal Bank of Scotland's (RBS) businesses
- Sime Darby entered into a Joint Venture (JV) Agreement with SP Setia and EPF to develop Battersea Power Station Property Project. Sime Darby and SP Setia each holds 40% of the equity stake in the JV Company while EPF holds 20% of the remaining stake
- Increased the plantation land bank by 103% with the acquisitions of TH Ladang (Sabah and Sarawak) Sdn Bhd and TH Bakti Sdn Bhd
- UEM Construction won the RM1.2 billion MRT contract
- For the first time since it was publicly listed, the UMW Group achieved RM2.0 billion in Profit Before Tax

2013

- Malaysia's 13th general election. YAB Prime Minister Dato' Sri Mohd Najib Tun Hj. Abdul Razak re-elected for a second term
- Implementation of increase in minimum retirement age to 60 led by GLCs
- Announcement of Bumiputera Economic Empowerment Agenda
- Development of Bumiputera Empowerment Agenda in response to Bumiputera Economic Empowerment launch
- Conducted self assessment survey on the adoption of Initiative Books (Blue, White, Yellow)
- Launch of PR1ME, an upward mobility scheme
- Established regional offices in San Francisco, USA and Istanbul, Turkey
- Collaborated with Bank Islam to improve the provision of full fledge Islamic Financial services through the establishment of the first Islamic Financial Centre (IFiC) in Johor Bahru
- BIMB Holdings Berhad completed its acquisition of 49% interest in Bank Islam, which is now a wholly-owned susidiary
- Ranked World's 13th Strongest Bank by Bloomberg Markets
- MBSB became the World's First Issuer for a Structured Covered Sukuk Commodity Murabahah Program backed by Financing Receivables of up to RM3.0 billion
- Acquisition of Nusa Gapurna subsidiaries, Gapurna Global Solutions Sdn Bhd and Gelanggang Harapan Sdn Bhd
- TNB ranked the No 1 company in Asia (Electric Utilities) in the PLATTs Top 250 Global Energy Companies for high performance in both financial and system security and reliability
- Listed UMW Oil & Gas Corporation Berhad on Bursa Malaysia, the biggest IPO in Malaysia for the year and best IPO deal in South East Asia

2014

- Sharp decrease in oil prices, Greek Debt Crisis and volatile exchange rates
- Malaysia ranked among Top 20 most competitive economies by WEF
- Malaysia ranked 18th in the world for ease of doing business by World Bank
- Removal of fuel subsidy
- Twin tragedies MH370 and MH17
- Launch of the GLC Disaster Relief Network (GDRN) to serve as a platform for GLICs and GLCs to ensure a coordinated and effective approach in providing disaster relief
- Conducted the third strategic review of the Programme ("stock-take")
- Full implementation of Minimum Wage Policy and compliance with Minimum Retirement Age Act
- EPF declared its highest dividend rate since 1999 of 6.8%, amounting to a total payout of RM36.7 billion
- LTAT reported a record profit of RM1.0 billion, its highest since LTAT's formation in 1972
- Collaborated with the Government on the Urban Transformation Centre (UTC), a government initiative to provide core services to the urban community in a centralised location
- Launched Amanah Saham Bumiputera 2 in support of the Bumiputera Economic Empowerment Agenda
- Completed the acquisition and mergers of the investment banking, futures and asset management businesses of Hwang-DBS (Malaysia) Berhad with the businesses of AFFIN Investment Bank Berhad
- Axiata's Indonesian subsidiary, PT XL Axiata Tbk. completed the acquisition of Axis Telekom Indonesia ("Axis")
- Axiata entered into strategic global framework arrangements with several vendors including Ericsson, Huawei, NEC and SIAE to establish a streamlined procurement platform which will realize business efficiencies and competitive advantage through cash flow improvement and timely purchasing
- Won the Most Outstanding Islamic Retail Banking Award from KLIFF Islamic Finance Awards 2014
- Opened of klia2, the world's largest purpose-built terminal for low cost carriers
- Full acquisition of Istanbul Sabiha Gokcen International Airport in Turkey
- Announcement of the 12-point MAS Recovery Plan
- MAS shares de-listed from Bursa Securities on 31 December 2014
- MBSB achieved record profit after tax of over RM1 billion
- MRCB conducted a rationalisation exercise which covers disposal of non-core assets, monetisation exercise via injection of assets into REIT and acquisition of land banks
- Sime Darby Plantation launched a takeover offer for the shares of New Britain Palm Oil Limited (NBPOL) at £1.1 billion for up to 100% equity interest. The acquisition was subsequently completed in March 2015
- THP completed its acquisition of 93% equity interest in PT Persada Kencana Prima, which owns a total plantation land of approximately 8,500 Ha in North Kalimantan, Indonesia
- TM delivered a total shareholder return (TSR) of 316% since its demerger in 2008, which was the highest in FTSE Bursa Malaysia over that period
- TNB won the Asian Utility Award 2014 for Large Capital Category, Gold Level Performance for both financial and system security and reliability from Edison Electric Institute (EEI)
- UEM formed the largest Asset & Facility Management Company in Southeast Asia on 29 October 2014. Faber (Edgenta Berhad) market capital rose from RM1.1 billion to RM2.5 billion

2015

- Malaysia becomes ASEAN Chair
- Implementation of GST
- Launch of the Eleventh Malaysia Plan
- Malaysia ranked eighth most efficient government by WEF
- GLCT Programme graduation
- Last PCG Meeting held on 7 August 2015
- LTAT acquired 49.2% of Irat Properties shares
- CCM was the sole recipient honoured with the Halal Excellence Award 2015 at World Halal Conference 2015
- Maybank became the first Malaysian bank to issue a Samurai Bond, enhancing the Group's capital structure
- Implemented Incentive based Regulation (IBR) and Imbalance Cost Pass-Through (ICPT) mechanisms to ensure the sustainability and transparency of the power sector and incentivise maximum efficiency

G. Transitioning the GLCT Programme

Following the launch of the GLCT Programme Initiatives, many workshops and meetings were conducted to enhance capacity, share best practices and solve common challenges via forums called "Initiative circles". These circles were a valuable platform to advance and institutionalise the Initiatives in the GLCs.

In preparation for graduation from the GLCT Programme, there was greater emphasis on transitioning the management of Initiative circles from the PCG Secretariat to the G20 fraternity since 2013. Some Initiative circles have developed an organising structure with a chair and working committee (for a one to two year term) to manage themselves moving forward. The chairs and working committees have been playing a catalytic role in ensuring the various circles leverage on the Programme's network strength to deliver value to all members (see Chapter 5 on "Programme Managing the GLC Transformation" for further details on recent GLCT Initiative activities).

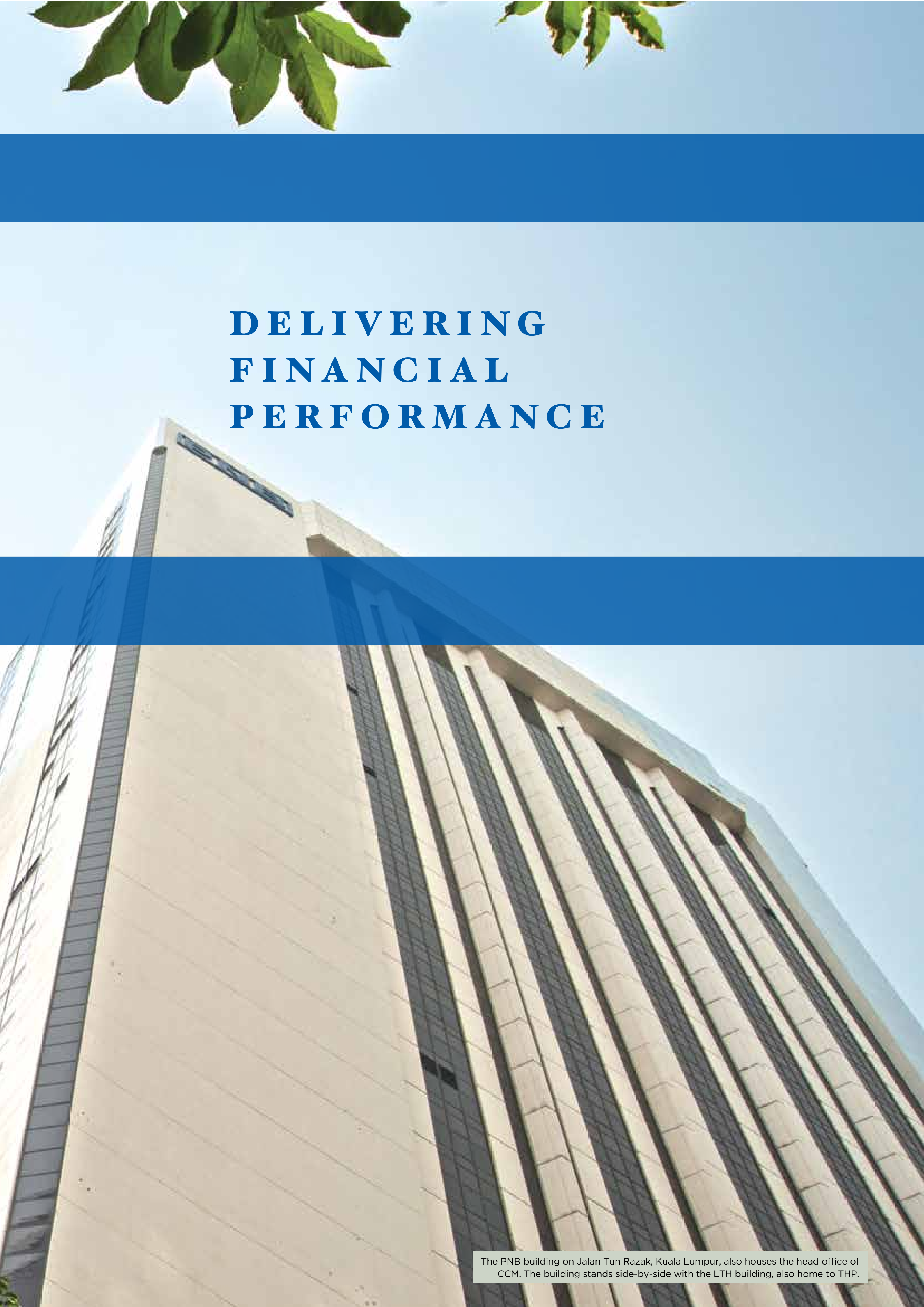
In addition, a "successor entity" will be created as a new platform to ensure that the network effect that has been created by the Programme continues, after GLCT Programme graduation.

(See Chapter 7 on the "Way Forward" on what will happen post-Programme Graduation and for further details on the successor entity).

Throughout the GLCT Programme, several GLCs have improved markedly. The Programme provided an effective platform for GLCs to convene, network and ultimately foster a collaborative community amongst the leaders

Datuk Seri Ir. Azman Mohd
CEO and President, Tenaga Nasional Berhad

DELIVERING FINANCIAL PERFORMANCE



The PNB building on Jalan Tun Razak, Kuala Lumpur, also houses the head office of CCM. The building stands side-by-side with the LTH building, also home to THP.

As part of the 1st Underlying Principle of the GLCT Programme, GLCs had to above all be focused on performance and create economic and shareholder value. To do this, GLCs had to uphold principles of performance and meritocracy.

Before the start of the Programme, many GLCs were underperforming their peer group and the broader market on numerous operational and financial indicators. Some were struggling to service their corporate borrowings while others had liquidity problems and were even on the verge of bankruptcy and had to be recapitalised by the Government.

Ten years on, GLCs in the GLCT Programme have grown and become high performing entities with stronger balance sheets and are now able to withstand greater domestic and external pressures and uncertainties. They have also grown abroad, making inroads into regional and global markets, with G20 having revenue generating operations in 42 countries.

This Chapter covers GLCs' performance across various financial indicators, their regional expansion and the improvement in the financial community's perception of GLCs, in tandem with their stronger financial position.

GLCs in the **GLCT Programme** have **grown** and become **high performing** entities

2 Delivering Financial Performance

2.1 Financial Performance

A. GLCs have been delivering greater shareholder value since the start of the GLCT Programme

Through a strong focus on performance, GLCs have delivered clear value for shareholders via an increase in Total Shareholder Return (TSR) over the past ten years. This growth is mainly attributable to increases in revenues and net profits, as well as improved capital management practices and dividends paid.

G20 TSR has grown by 11.1% p.a. since the start of the GLCT Programme

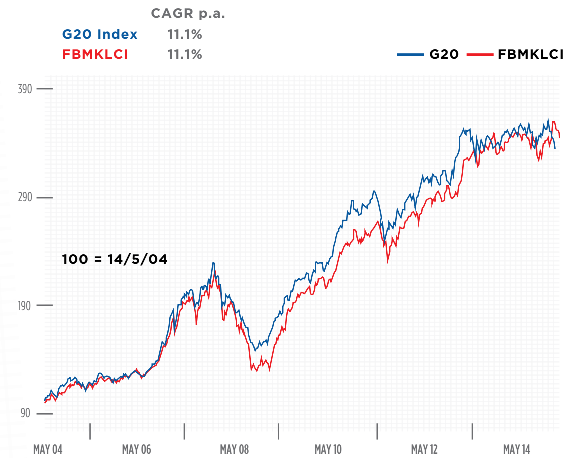
In the five years leading to the announcement of the GLCT Programme, TSR of publically listed GLCs was underperforming the market by 21%[1].

As a result of reforms made during the GLCT Programme, G20 TSR[2] grew 155% or 11.1% p.a., from 14 May 2004 to 28 July 2015. This tracks FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI), which grew by 11.1% p.a. over the same period (see Exhibit 2.1 for G20 TSR growth). G20 TSR growth was driven by a mix of earnings growth, higher valuations and a proactive dividend management policy.

G20 market capitalisation grew 2.9 times since the announcement of the GLCT Programme

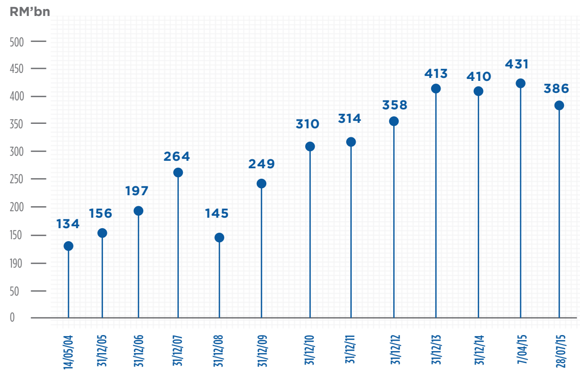
G20 market capitalisation[2] grew 2.9 times from RM133.8 billion on 14 May 2004 to RM386.0 billion on 28 July 2015, hitting an all-time high of RM431.1 billion on 7 April 2015. (See Exhibit 2.2 on G20 market capitalisation).

EXHIBIT 2.1: G20 TOTAL SHAREHOLDER RETURN INDEX GROWTH FROM 14 MAY 2004 TO 28 JULY 2015



Source: Bloomberg, PCG Secretariat analysis

EXHIBIT 2.2: G20 TOTAL MARKET CAPITALISATION



Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis
Note: MAS and UEM are not included as they are not listed companies as at 31 December 2014

[1] Sourced from Keynote Address by YAB Dato' Seri Abdullah Badawi on 14 May 2004 at the seminar on "Culture of High Performance for GLCs"
[2] MAS has been excluded from G20's TSR and market capitalisation computations due to its de-listing.

Strong GLC performance has led to increasing dividends for shareholders

Apart from share price increases, GLCs have also been returning profits to the investment community by increasing their dividend payouts. G20 dividend payout ratio increased from 45.3% in FY2004 to 58.4% in FY2014, averaging 57.2% over the period and exceeding FBMKLCI's average of 54.9% (see Exhibit 2.3 on G20 dividend payout).

From FY2004 to FY2014, G20 returned a cumulative RM108.6 billion in dividends to shareholders, which is significant considering G20 only had a market capitalisation of RM133.8 billion at the beginning.

***11.1% p.a.* growth in G20 TSR since the announcement of the GLCT Programme (tracking FBMKLCI growth of 11.1 p.a.)**

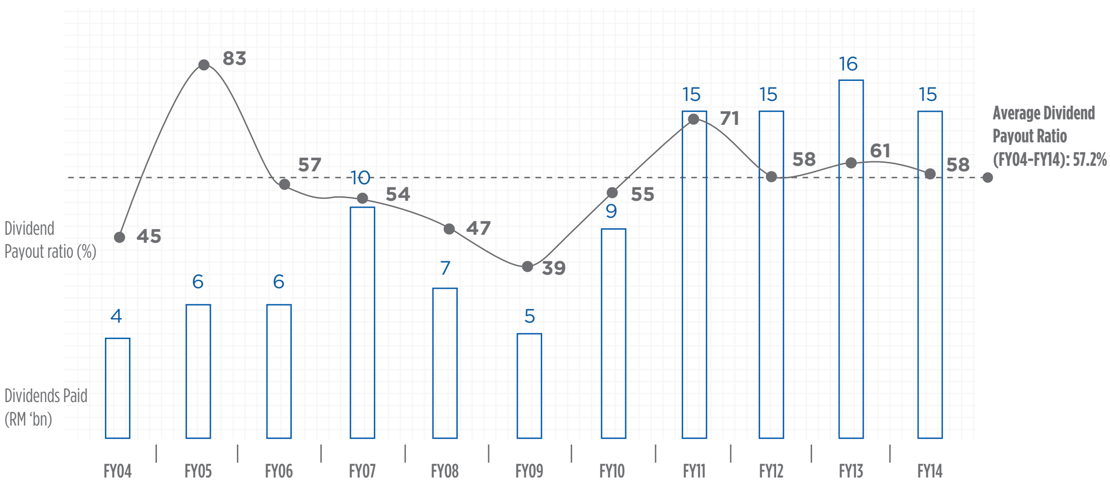
***2.9x* growth in G20 market capitalisation since the announcement of the GLCT Programme**

***57.2%* average G20 dividend payout ratio over the duration of the GLCT Programme (exceeding FBMKLCI average of 54.9%)**

If the objective of the GLCT Programme is to bring awareness that GLCs need to perform at par or better than the market, I think that we have achieved this objective. During the PCG meetings, I hear that we have been outperforming the market, which means that we've achieved this target.

Tan Sri Abdul Aziz bin Kasim
Chairman, TH Plantations Berhad

EXHIBIT 2.3: G20 DIVIDEND PAYOUT



Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

B. GLC revenues and profitability have significantly increased

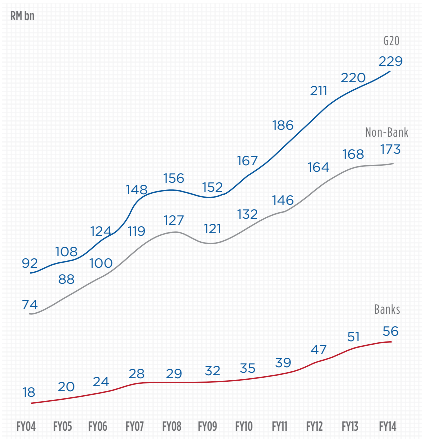
The strong growth in TSR, market capitalisation and dividend payments are largely due to G20's significant increase in revenue and net profit over the 10 years of the GLCT Programme. Much of this improvement can be attributed to reforms carried out by GLCs under the Programme, such as the turnaround and restructuring exercises, transformation initiatives, and growth programmes, as well as global megatrends such as the commodity and consumption cycles that occurred over the course of the Programme.

G20 has seen significant top-line growth in revenue over the past ten years

G20 revenue[3] has been on a strong upward trajectory over the past ten years, growing from RM91.8 billion in FY2004 to RM229.3 billion in FY2014, or 9.6% p.a.

Banking income grew at 12.1% p.a. from RM17.9 billion in FY2004 to RM56.3 billion in FY2014, while non-bank revenue grew at 8.9% p.a. from RM 73.9 billion in FY2004 to RM173.0 billion in FY2014 (see Exhibit 2.4 on G20 banking income and non-bank revenue).

EXHIBIT 2.4: G20 GROSS BANKING INCOME AND NON-BANK REVENUE



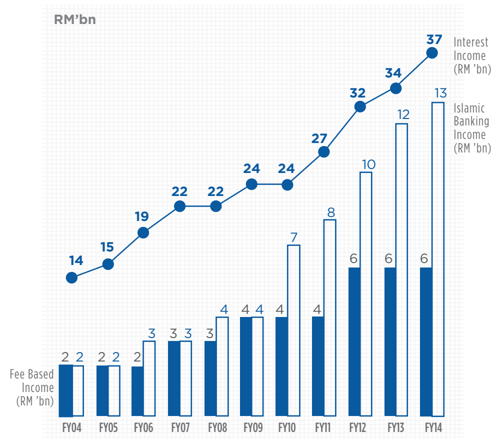
Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

GLC Banks

The increase in G20 banking income was driven by growth in Islamic banking, as well as increased retail lending in a low interest rate environment. From FY2004 to FY2014, Islamic banking income grew from RM1.9 billion to RM13.3 billion and interest income grew from RM14.1 billion to RM36.9 billion (see Exhibit 2.5 on G20 Bank Gross Interest Income, Fee-Based Income and Gross Islamic Banking Income).

Regional expansion into new countries has also contributed to the growth in G20 banking income.

EXHIBIT 2.5: G20 BANK GROSS INTEREST INCOME, FEE-BASED INCOME AND GROSS ISLAMIC BANKING INCOME

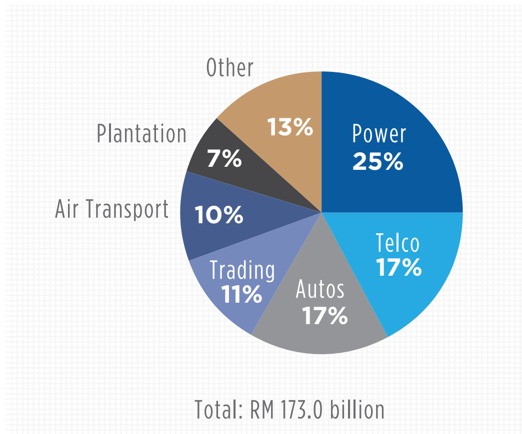


Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

Non-bank GLCs

The 3 largest contributors to non-bank revenues in FY2014 were the Power, Telco and Auto sectors (see Exhibit 2.6 on G20 non-bank revenue by sector).

EXHIBIT 2.6: G20 NON-BANK REVENUE BY SECTOR IN FY2014



Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

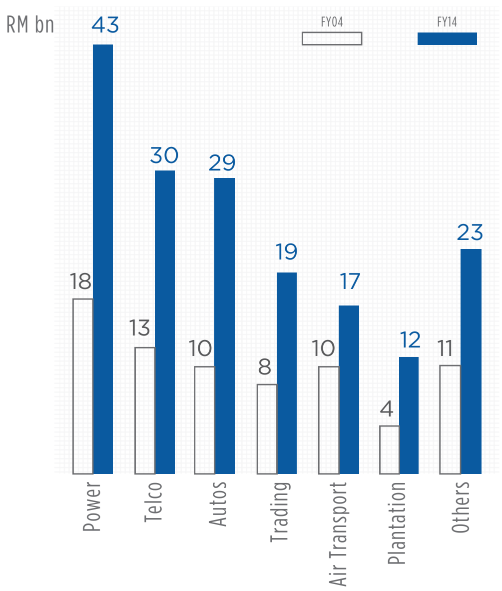
[3] Revenue consists of non-bank revenue and banking income (gross interest income, fee-based income and gross Islamic banking income), and is made up of 12 non-banks and 5 banks.

The power segment (RM42.8 billion in FY2014 vs RM17.7 billion in FY2004, a 2x increase) was a key growth driver (see Exhibit 2.7 on G20 non-bank revenue by sector) and was led by growth in TNB's revenues.

In the telecommunications sector, revenue growth (RM29.9 billion in FY2014 vs RM13.3 billion in FY2004, a 2x increase) was driven by expansion in Axiata's subscriber base in Indonesia and South Asia, and growth in TM's broadband and data services.

In the automotive sector, revenue growth (RM28.5 billion in FY2014 vs RM10.4 billion in FY2004, a 3x increase) was led by Sime Darby and UMW. Sime Darby grew sales through its acquisition of Hyundai's Malaysia franchise in 2004, growth in its Singapore and China car distribution division and entry into new markets in Vietnam and Taiwan. UMW also saw car sales rise through its dominance of the domestic auto market via the Perodua Myvi and Toyota franchises.

EXHIBIT 2.7: G20 NON-BANK REVENUE BY SECTOR IN FY2004 VS FY2014



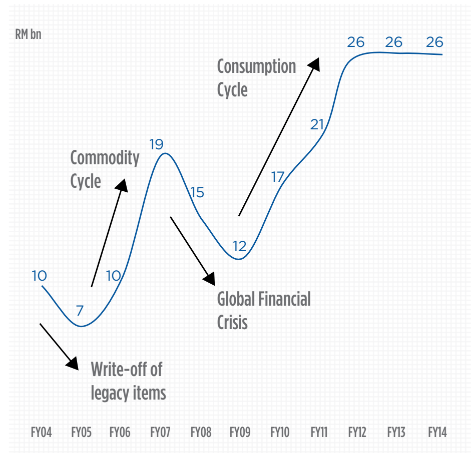
Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

Top-line growth in G20 revenue has largely translated to bottom-line growth in G20 net profits.

G20 has been growing profitability over the past 10 years, with net profit increasing at 10.2% p.a.

G20 has seen an increase in bottom-line profitability, with net profit growth of 10.2% p.a. from RM9.9 billion in FY2004 to RM26.2 billion in FY2014. G20 net profit hit RM26.2 billion in FY2014, close to the all-time high of RM26.3 billion in FY2013 and registered net profit growth of 10.2% p.a. from RM9.9 billion in FY2004.

EXHIBIT 2.8: G20 NET PROFITS



Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

G20 net profit dipped in FY2005 due to write-offs by many GLCs, and saw a clear "J-curve" recovery over the subsequent two years (see Exhibit 2.8 on G20 net profits). When the global financial crisis of 2008 hit, the various corporate restructuring and operational improvements undertaken as part of the GLCT Programme saw GLCs entering the crisis from a position of strength and successfully weathering it. After the crisis, G20 net profit trended upwards and have, over the past few years, surpassed the pre-crisis peak in FY2007.

G20 net profit growth was also assisted by the commodity cycle (where crude palm oil prices rose from RM1,663 to RM 4,203 per metric tonne from 2004-2005 to 2008), as well as the consumption cycle of 2009-2012, marked by low global interest rates post-crisis (e.g. Bank Negara cut its overnight policy rates from 3.5% in October 2008 to 2.0% in February 2009) and rising household income from strong regional gross domestic product (GDP) growth (e.g. average household income in Malaysia rose from RM3,686 in FY2007 to RM5,000 in FY2012), which helped to spur consumer spending.

***10.2% p.a.* G20 net profit growth since the announcement of the GLCT Programme**

G20 economic profit grew from negative RM3.2 billion in 2005 to positive RM961 million in 2014

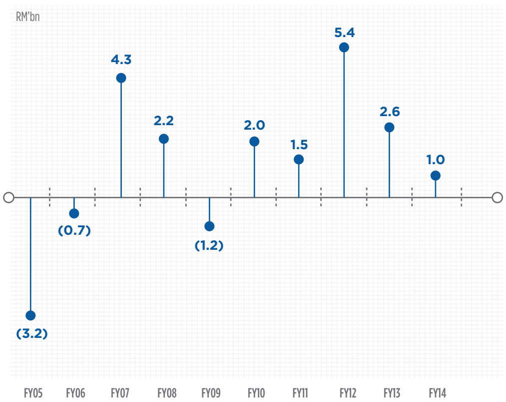
In addition to the increase in net profits, G20 has also been able to return higher economic profit[4] (EP).

Before the GLCT Programme, G20 was incurring significant economic losses. In FY2005, G20 reported an aggregate economic loss of RM3.2 billion. While some GLCs showed improving accounting performance at that time, the deficits or underperformance in EP could be seen as symptoms of deeper shortfalls in the capacity of GLCs.

Over the duration of the GLCT Programme, G20 EP improved by RM4.2 billion to RM961 million in FY2014 (see Exhibit 2.9 on G20 EP). Reforms made during the Programme have led to a positive EP in 7 of the 10 years, with the economic losses in FY2006 and FY2009 being much less significant than the economic loss in FY2005, when EP was first monitored.

Although largely in tandem with the structural improvement in accounting net profit over the years, EP has been more volatile due to equity cash calls that affected the cost of capital.

EXHIBIT 2.9: G20 ECONOMIC PROFIT



Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

RM4.2 billion improvement in G20 economic profit from FY2005 to FY2014

11% average G20 ROE between FY2004 and FY2014

Capital productivity, as measured by ROE, has stabilised since FY2010

Improved G20 bottom-line profitability has contributed to stabilised returns on equity (ROE). G20 ROE hit 11% on average between FY2004 and FY2014. Average ROE for G20 banks was 12.6% over the same period, driven primarily by profit margins, which have trended upwards as higher Islamic banking and fee-based income were able to offset a reduction in asset utilisation (see Exhibit 2.10 on G20 bank dupont analysis). This was largely due to the successful regionalisation of CIMB and Maybank, who were able to capitalise on rising household incomes, despite net interest yields reducing from their peak in FY2007.

EXHIBIT 2.10: G20 BANK DUPONT ANALYSIS

	ROE (%)	Profit Margin Net income / gross banking income (%)	Asset utilisation Gross banking income / Assets (%)	Equity multiplier Assets / Equity (x)
FY04	12	19	5.4	12.3
FY05	10	15	5.7	11.5
FY06	10	13	5.7	13.6
FY07	17	24	5.9	12.5
FY08	13	18	5.6	12.9
FY09	8	12	5.3	12.2
FY10	14	22	5.4	12.0
FY11	14	23	4.8	12.4
FY12	14	23	5.2	11.9
FY13	14	23	5.0	12.3
FY14	11	21	4.8	11.4
ROE directionality	=	▲	▼	=
Reasons		More fee income	Lower asset efficiency	Flat capital structure

Source: G20 annual reports, Bloomberg, PCG Secretariat analysis

[4] Economic profit is an important yardstick to measure value creation to shareholders. It shows a company's net income after deducting shareholders' opportunity cost in investing in the firm. EP is defined as the difference between a company's return over and above its costs of capital. [EP = (Return on invested capital -Weighted average cost of capital) x Invested capital].

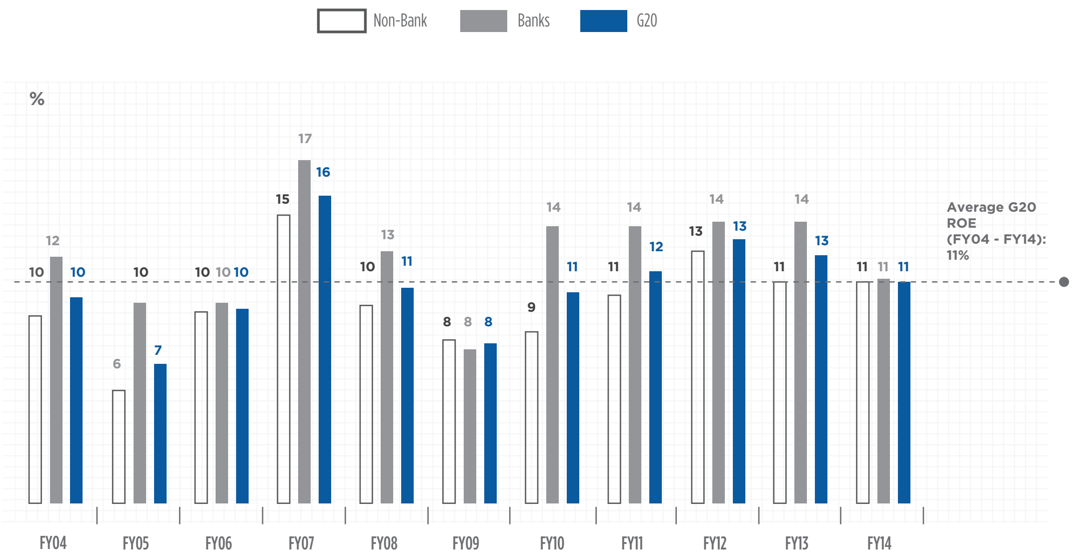
For G20 non-banks, average ROE of 10.2% was achieved by better asset turnover (from 0.42x in FY2004 to 0.50x in FY2014) but this was offset by relatively flat margins and financial leverage (see Exhibit 2.11 on G20 non-bank dupont analysis). For both G20 banks and non-banks, ROE has not returned to its FY2007 aggregate peak of 16%. (see Exhibit 2.12) This suggests there has been some downward pressure on productivity of G20 capital. With the overall lower gearing in the G20 non-banks, this also suggests that G20 non-banks have more capacity to gear-up in order to reach greater scale by taking advantage of future opportunities that may arise from any cyclical regional or global downturn in the medium-term.

EXHIBIT 2.11: G20 NON-BANK DUPONT ANALYSIS

	ROE (%)	Profit Margin Net income sales (%)	Asset turnover Sales / Assets (x)	Financial leverage Assets / Equity (%)
FY04	10	9	0.42	2.6
FY05	6	4	0.47	2.7
FY06	10	7	0.52	2.6
FY07	15	10	0.58	2.5
FY08	10	7	0.55	2.5
FY09	8	6	0.51	2.5
FY10	9	7	0.52	2.5
FY11	11	8	0.56	2.5
FY12	13	9	0.58	2.5
FY13	11	8	0.55	2.5
FY14	11	8	0.50	2.7
ROE directionality	=	=	▲	=
Reasons		Flat marging	Higher asset efficiency	Flat gearing

Source: G20 annual reports, Bloomberg,, PCG Secretariat analysis

EXHIBIT 2.12: G20 RETURN ON EQUITY



Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

G20 performance is underpinned by discipline in announcing headline KPIs

A key initiative under the GLCT Programme was the introduction of financial and operational Key Performance Indicators (or what is known as Headline KPIs among the GLCT fraternity), which was made mandatory for GLCs in FY2006. Headline KPIs generated performance pressure and also increased transparency and accountability at GLCs (see Exhibit 2.12 for examples of G20 headline KPIs monitored.

From FY2006 to FY2014, G20 met 66% of their Headline KPIs (see Exhibit 2.13). In FY2014, G20 met 45% of its Headline KPIs covering financial and non-financial measures (see Exhibit 2.14), a decline in performance compared to previous years. In particular, G20 achieved only 40% of its FY2014 financial KPIs and 71% of its FY2014 non-financial KPIs. The lower year-on-year performance was observed across the board for both banks and non-banks, due to stretched targets set coupled with a challenging macro economic and operating environment in FY2014.

EXHIBIT 2.13: SELECTED EXAMPLES OF G20 HEADLINE KPIs

Financial KPIs

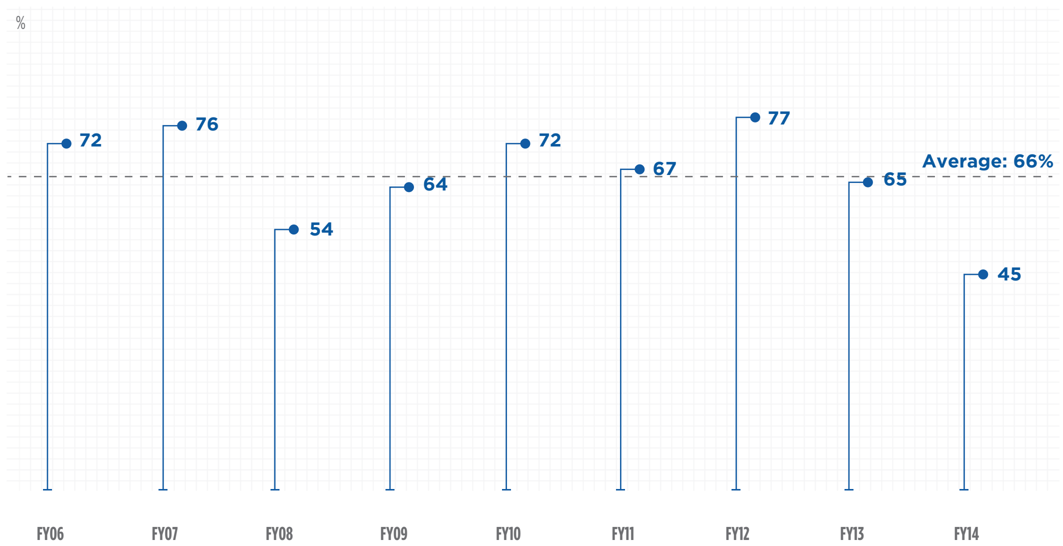
- Return on Assets (ROA)
- ROE
- Dividend Payout Ratio; Net Dividend Per Share
- Revenue; Revenue Growth
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA); EBITDA Growth
- Profit Before Tax; Net Profit

Non-financial KPIs

- Airport Service Quality Award (above 40 million passengers) - MAHB
- Fresh Fruit Bunch Yield – TH Plantations
- Consumer Satisfaction Measure (TRI*M) - TM

Source: G20 annual reports, G20 submission to PCG Secretariat

EXHIBIT 2.14: G20 HEADLINE KPIs MET (FINANCIAL AND NON-FINANCIAL) FY2006-FY2014



Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

C. GLCs are more resilient and in a stronger position compared to 2004

GLCs have been implementing various corporate restructuring exercises, operational improvements, transformation and "armour plating" of the balance sheet since the start of the GLCT Programme. In addition, GLCs' expansion into regional markets have provided them with a broader and more diversified customer base. These initiatives have made them fundamentally stronger companies and indeed they have shown tremendous resilience during the global financial crisis.

A fall in G20 debt-to-equity over the past 10 years has led to a stronger balance sheet and less risky capital structure

Capital management was identified as a key area for the GLCs to improve on when the GLCT Programme was launched. The Purple Book (Optimising Capital Management Practices) covered capital management initiatives such as disposal of non-core assets, strengthening of balance sheets and returning excess cash to shareholders.

Due to enhanced capital management practices, there has been a strengthening of balance sheets via clear risk reduction in GLCs' capital structure, with GLC non-bank companies having gradually reduced their exposure to financial risks since the announcement of the GLCT Programme.

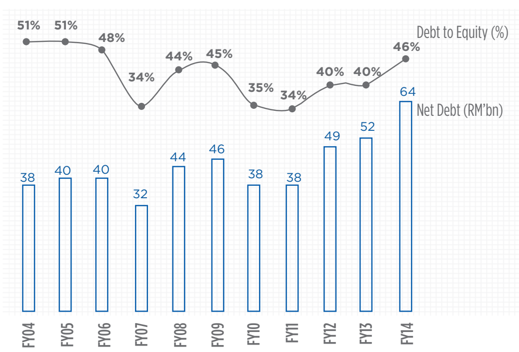
G20 non-bank gearing (as measured by debt over equity) has fallen from 51.4% in FY2004 to 45.8% in FY2014, due to a combination of stronger retained earnings and equity cash calls, particularly following the global financial crisis of 2008 (see Exhibit 2.15 on G20 non-bank debt-to-equity ratio). This risk reduction in G20 capital structure compares favourably with the broader market where the FBMKLCI average non-bank gearing rose from 62% in FY2004 to 85% in FY2014.

Accordingly, the lower G20 non-bank gearing has resulted in G20 non-bank debt-to-asset ratio falling from 21.9% in FY2004 to 18.3% in FY2014 (see Exhibit 2.16 on G20 non-bank debt-to-asset ratio).

The successful lowering of G20 gearing could, however, potentially be a double-edged sword. On one hand, being under-geared means G20 has the financial muscle to fund future growth, either organically through reinvestments, or via M&As. On the other hand, because G20 has funded most post-2008 de-gearing through fresh equity issuances, both ROE and EP have been suppressed due to the larger equity base.

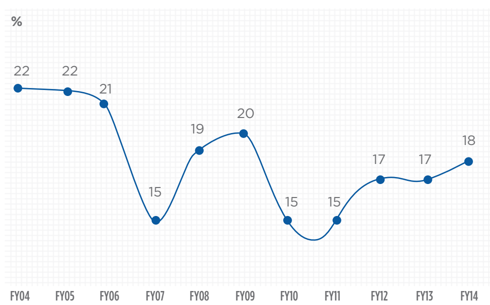
45.8% G20 non-bank gearing in FY2014 vs. 51.4% at the start of the GLCT Programme

EXHIBIT 2.15: G20 NON-BANK DEBT-TO-EQUITY RATIO



Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

EXHIBIT 2.16: G20 NON-BANK DEBT-TO-ASSET RATIO



Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

Regional expansion has led to a broader and more diversified G20 customer base

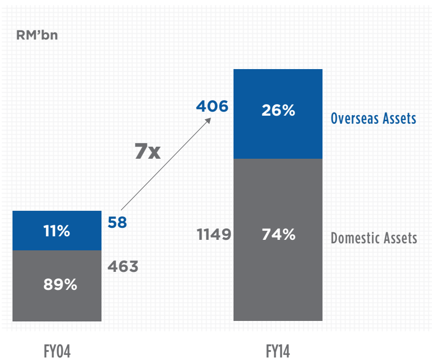
Since the announcement of the Programme, GLCs have made strong inroads into regional markets. This is in line with Role 2 in the Five Roles of GLICs and GLCs in the NEM. G20 now has an established regional footprint, with revenue generating operations in 42 countries.

G20 foreign assets grew by 7 times, from RM57.8 billion in FY2004 (11.1% of total assets) to RM405.6 billion in FY2014 (26.1% of total assets).

Meanwhile, G20 foreign revenue grew by 3 times, from RM26.1 billion in FY2004 (28.4% of total revenue) to RM78.0 billion in FY2014 (34.0% of total revenue). The growth was led by regional expansion of large cap G20 firms such as Axiata, Maybank, CIMB and Sime Darby. Collectively, these four G20 companies accounted for 78% of G20 foreign revenue in FY2014. Additionally, regional champions have emerged, mainly Axiata, CIMB, MAHB, Maybank and Sime Darby. See Section 3.1 for G20 regionalisation efforts.

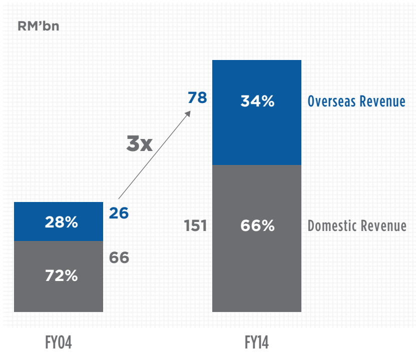
(See Exhibit 2.17 and Exhibit 2.18 on G20 domestic and foreign assets and revenue splits).

EXHIBIT 2.17: G20 DOMESTIC AND FOREIGN ASSET SPLIT



Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

EXHIBIT 2.18: G20 DOMESTIC AND FOREIGN REVENUE SPLIT



Note: Revenue consists of non-bank revenue and banking income (gross interest income, fee-based income and gross Islamic banking income)

Source: G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

7x growth in G20 foreign assets since the announcement of the GLCT Programme

3x growth in G20 foreign revenue since the announcement of the GLCT Programme

We believe the GLCT Programme will be able to cascade tangible benefits to stakeholders. The key to sustainability is for GLCs to maintain profits, as only then can the benefits be continually cascaded.

Tan Sri Datuk Asmat bin Kamaludin
Chairman, UMW Holdings Berhad

Reforms put in place as part of the GLCT Programme led to G20 closing the gap with regional peers

Regionalisation has allowed a number of G20 companies to close the gap with regional leaders, with some of the G20 ranking better than its regional peers.

GLC Banks:

- Maybank, with a presence in twenty countries, is now the fourth largest banking group by assets in ASEAN. Maybank's Islamic banking division is the third largest Islamic bank in the world.
- CIMB, with operations in 17 countries, is now the fifth largest banking group in South East Asia by asset size.

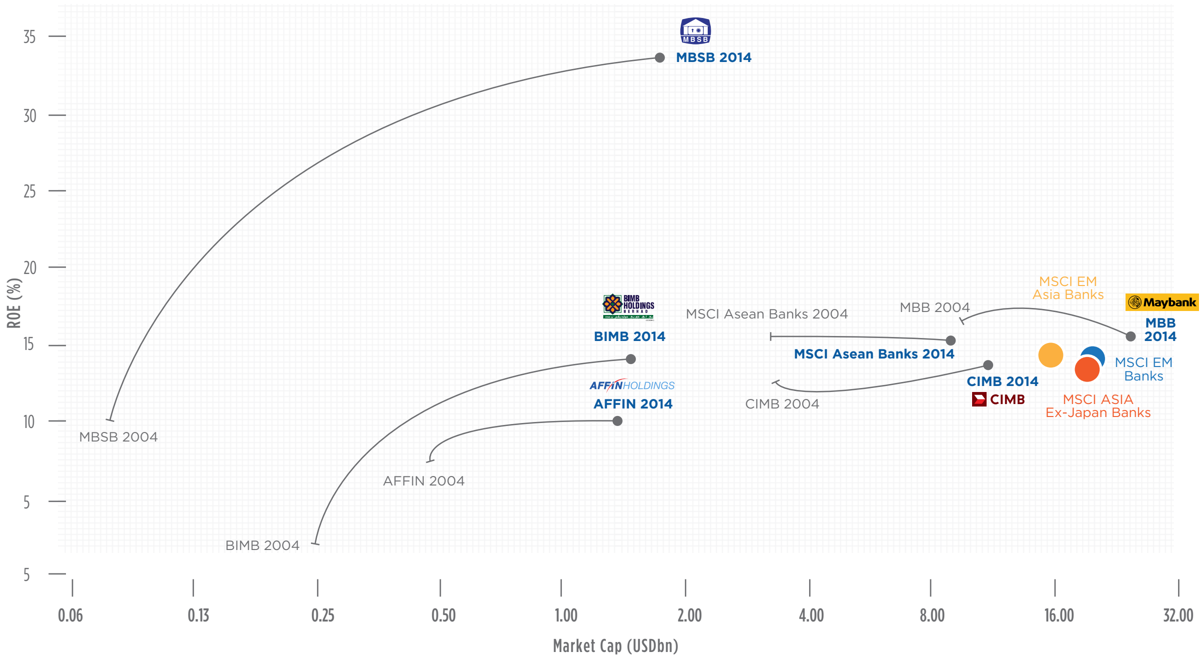
(See Exhibit 2.19 for a comparison of G20 bank size, as measured by market capitalisation, and performance, as measured by ROE, against regional indexes).

Non-bank GLCs:

- Axiata is one of the largest telecommunications players in the region by market capitalisation and revenue, with over 260 million customers across eight countries.
- Sime Darby has grown to become the world's largest listed oil palm plantation company and is a leader in the production of certified sustainable palm oil with 93% of its annual crude palm oil and 94% of its annual palm kernel production certified as sustainable.

(See Exhibit 2.20 for a comparison of G20 non-bank size, as measured by market capitalisation, and performance, as measured by revenue, against regional indexes).

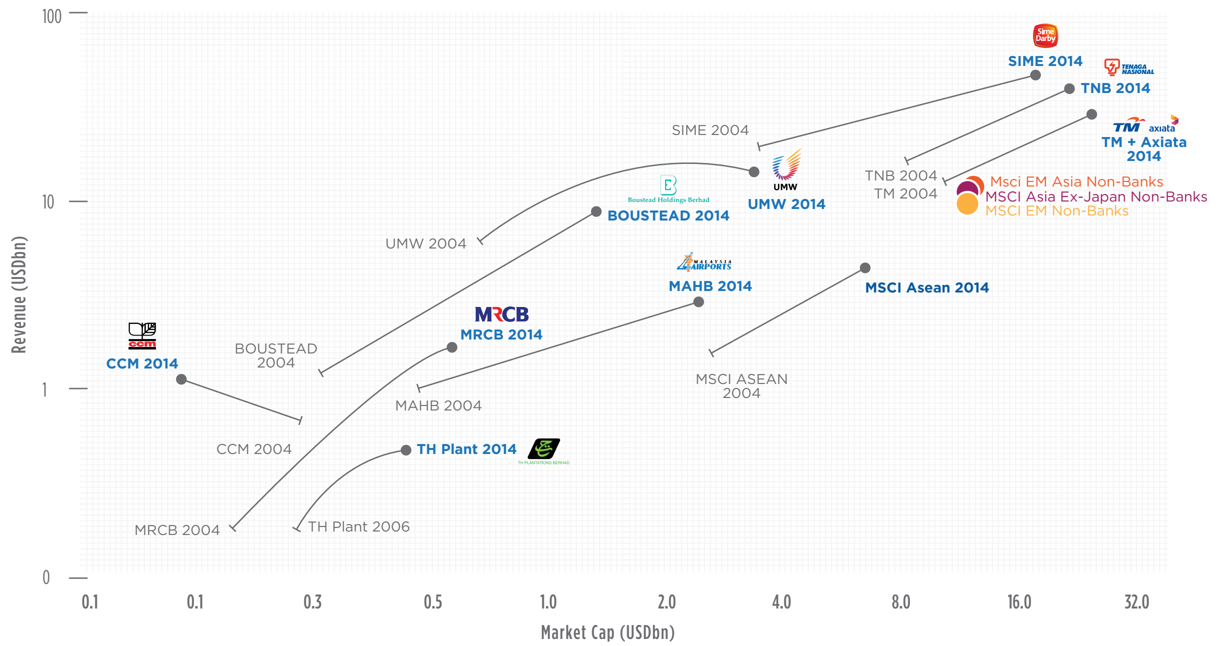
EXHIBIT 2.19: G20 BANK ROE AND MARKET CAP VS. MSCI ASEAN (FY2004 TO FY2014)



Note: Position of the MSCI bubbles denote the average ROE and market capitalisation in the respective index

Source: Bloomberg, PCG Secretariat analysis

EXHIBIT 2.20: G20 NON-BANK REVENUE AND MARKET CAP VS. MSCI ASEAN (FY2004 TO FY2014)



Note: Position of the MSCI bubbles denote the average revenue and market capitalisation in the respective index. The logarithmic scale is used to show the rate of change, rather than the absolute change for each company. This provides a more accurate picture of the movements of each company and to avoid issues of scale the Sime Darby, TM and TNB would create in the chart.

Source: Bloomberg, PCG Secretariat analysis

Now in mid-2015, Maybankers rightly take pride in our transformation journey over the last ten years. Last year, we generated another record profit of RM6.7 billion, an increase of almost 180% since 2004, whilst remaining the biggest dividends contributor to PNB. We have presence in 20 countries around the world, yet Malaysia remains our biggest contributor. We are a financial superstore, providing customers with products and services, from commercial, investment and Islamic banking to insurance and takaful. We have some 46,000 employees and strong brand presence in many countries, some as the Malaysian flag-bearer. Surely, there are many pointers to how success has been achieved and lessons that many could learn.

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor
Chairman, Malayan Banking Berhad

D. Improvement in financial community perception of GLCs, in tandem with the better performance and stronger position of GLCs

This reduction in gaps between GLCs and regional leaders, coupled with the delivery of higher shareholder value, greater profitability and stronger balance sheet, has led to a marked improvement in the financial community's perception of GLCs.

PCG conducted several GLC broker surveys of sell-side analysts to gauge the perception of GLCs among the investing community. This GLC Broker Survey narrows-in on six management and investability metrics. Quantitative scores are then given to each GLC based on the sum of analyst feedback. The six metrics and corresponding questions asked are as follows:

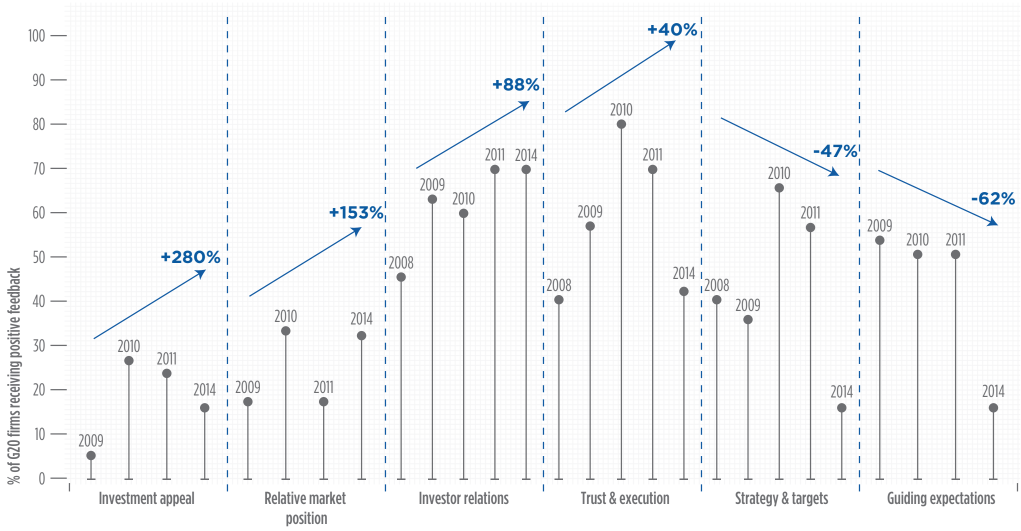
- Investment appeal: What is the estimated institutional client weighting for this stock?
- Relative market position: How far behind is this GLC compared to best-of-breed local or regional peers? Is this GLC getting left behind?
- Investor relations (IR): Is IR providing you with adequate/timely information and face-time?
- Trust and execution: Do you trust management to add value to the business?
- Strategy and targets: Are you positive on management's strategic game-plan and the quality of KPIs?
- Guiding expectations: Do you think management provides adequate/accurate guidance in managing your Earnings Per Share (EPS)/Dividends Per Share (DPS) expectations?

There has been a marked improvement in analysts' perception of GLCs across most survey metrics over the past five surveys (see Exhibit 2.21 on G20 broker survey results).

Key takeaways from the survey findings include:

- **Growing traction among the investment community:** Investment appeal of GLCs has more than doubled since 2008. Analysts increasingly belief in GLCs' trust and execution capabilities (up 48% from 2008 to 2014) which has enhanced GLCs' appeal among fund managers.
- **Closing the gap to regional and domestic peers:** There was a 153% improvement in perceived relative market position of GLCs relative to regional and domestic peers, from 2009 to 2014. GLCs, which previously lagged behind industry leaders, are perceived as closing the gap and developing scale through regionalisation.
- **Good feedback loop and access to management, but guiding expectations could be improved:** While there have been notable areas of improvement in IR (up 88% from 2008), analysts feel that both strategy & targets and earnings expectations could be better managed, with strategy & targets falling by 47% and guiding expectations falling by 62% since 2008/09.

EXHIBIT 2.21: : G20 BROKER SURVEY RESULTS (FY2008 TO FY2014)



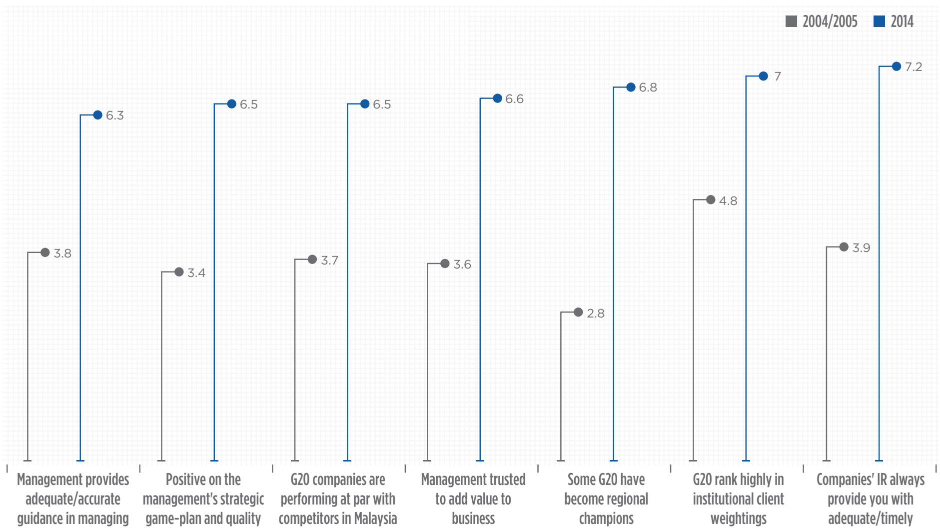
Source: "GLC Broker Surveys" from 2008 to 2014, PCG Secretariat analysis

Additionally, a special broker survey conducted by PCG in 2014 asked 14 brokers (8 local and 6 foreign) to rate how G20 as a group has performed in 2004/2005 versus 2014. The Special Broker Survey (see Exhibit 2.22 on average broker scores) found that:

- G20 on average are doing well in Investor Relations, having received the highest average score of 7.2, where 1 is considered underperforming and 10 is best-in-class.
- Many brokers agreed that some G20 companies have become regional champions, giving an average score of 6.8 (third highest average score among the surveyed areas).

GLCs have shown significant improvement across all key financial and operational areas since the announcement of the GLCT Programme in May 2004. Transformation efforts, turnaround and restructuring exercises, and regionalisation have contributed to increased dividend payouts to shareholders, solid revenue growth, stronger balance sheets and improved financial structures of GLCs. Reforms put in place as part of the GLCT Programme have also laid the ground work for GLCs to be more resilient and better withstand domestic and external pressures and uncertainties. GLCs now perform as well as public listed companies, with some of the GLCs closing the gap with regional peers. However, some areas could still be improved when compared to GLCs' regional "best in class" peers, such as ROE, and meeting financial and operational targets as specified under Headline KPIs.

EXHIBIT 2.22: : AVERAGE BROKER SCORES IN 2004/2005 VS. 2014 – BY SURVEY AREAS



Source: Special broker survey on GLCT Programme by PCG, September 2014

"Although it has not always been smooth sailing for the GLC transformation we believe that the overall numbers speak for themselves."

CIMB, June 2015


3

CATALYSING NATION BUILDING

EPF office located on Jalan Raja Laut, Kuala Lumpur

As part of the 2nd Underlying Principle of the Programme, GLCs have been actively catalysing nation building. When the NEM was launched in 2010, PCG aligned the GLCT Programme with this national agenda by announcing five roles GLICs and GLCs would play to support it.

GLCs have also made other significant contributions to nation building including:

- Supporting National Transformation Programmes such as the GTP and ETP
- Contributing to economic corridors, major infrastructure projects and building Malaysia as an Islamic finance hub
- Promoting inclusivity through workforce diversity and support of the Bumiputera Empowerment Agenda
- Adopting sustainability practices

From 2004 to 2014, G20 made RM230.2 billion worth of investments, of which RM153.9 billion are domestic investments. They also employed a total of 373,627 people in 2014, of which 225,050 are Malaysian.

This Chapter provides examples of how GLICs and GLCs have been important drivers of the economy in their five roles in NEM, and how they are key contributors towards the Government's national transformation programmes and other national priorities.

From 2004 to 2014, G20 invested

RM153.9 billion
domestically

3 Catalysing Nation Building

3.1 Five Roles of GLICs and GLCs in the New Economic Model

The New Economic Model (NEM) was introduced in 2010 to transform Malaysia from a middle-income, developing nation into a high-income, developed nation by 2020, while ensuring growth is inclusive and sustainable. These goals should be achieved together, where wealth is created while maintaining natural resources and preserving social harmony.

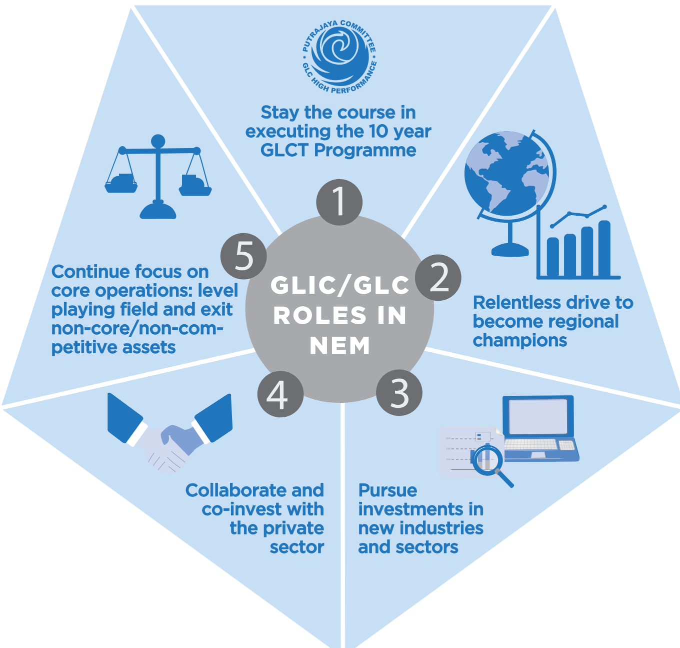
In 2010, PCG announced five roles for GLICs and GLCs to support the NEM and align the GLCT Programme with this national agenda (see Exhibit 3.1.1). These roles provided the GLCT fraternity with a common understanding, language and framework to support the NEM.

In accordance with the five roles, GLICs and GLCs have executed various transformation, turnaround, restructuring and growth programmes and have made their mark regionally and globally. In addition, GLICs and GLCs have been actively pursuing investments in new industries and sectors, and have collaborated and co-invested with the private sector, while divesting non-core and non-performing assets. The following sub-sections capture the contributions of GLICs and GLCs across the five roles over the course of the GLCT Programme.

GLCs will always be expected to contribute and support the national agenda. The five roles provide them with clarity on how they can best support their Government and country.

Datuk Badlisham bin Ghazali
CEO, Malaysia Airports Holdings Berhad

EXHIBIT 3.1.1: FIVE ROLES OF GLICS AND GLCS IN THE NEW ECONOMIC MODEL



A. Role 1: Stay the Course in Executing the 10-year GLCT Programme

It was imperative for GLCs to stay the course in executing the GLCT Programme to sustain and build upon the momentum of their various transformation, turnaround, restructuring and growth programmes. Staying the course also involves executing and institutionalising the GLCT Initiatives. The implementation of GLCT Initiatives has improved the functional excellence of GLCs (see Chapter 5 on "Programme Managing the GLC Transformation" for further details on the implementation of GLCT Initiatives).

(See Exhibit 3.1.2 for selected examples of GLCs' activities in staying the course in executing the 10-year GLCT Programme.)

EXHIBIT 3.1.2: STAY THE COURSE IN EXECUTING THE 10-YEAR GLCT PROGRAMME - SELECTED EXAMPLES FROM 2004 - 2014

AFFINHOLDINGS

TRANSFORMING INTO A ONE-STOP FINANCIAL SERVICES PROVIDER

Efficiency improvements by leveraging technology
The Group improved its productivity and enhanced customer service by embarking on various projects to enhance IT systems and operational processes. An ongoing project to introduce new grading models will enable better assessment of customers for more effective loan management as well as improving asset quality.

Human capital development (especially at middle management level) to ensure sufficient talent pool to enable the Group to operate at optimum capacity.

TRANSFORMING INTO A NEW GENERATION TELCO

axiata

In 2008, TM demerged its mobile and fixed-line businesses to unlock the value in each business line. It was facing declining performance levels in its fixed line activities and its domestic mobile business was under pressure due to intensifying competition.

The formation of two separate entities - a regional mobile champion and a domestic broadband champion paved the way for enhanced governance; better and more tailored capital management initiatives and investor relations strategies; and freedom to pursue distinct aspirations and strategies as well as contribute to fulfilling national objectives.

Today, Axiata is one of the largest telecommunications companies in Asia with over 260 million customers in eight countries. From 2007 to 2014, revenue jumped 87% to RM18.7 billion, normalised PATAMI increased 1.6x to RM2.2 billion and market capitalisation improved 2.1x to RM60.5 billion.

4 PILLARS TO REGIONAL CHAMPIONSHIP

- **Profit** Best financial performance
- **People** Top employer/ people factory
- **Process** World-class processes
- **Planet** National/ social contribution

KEY TURNAROUND THROUGH A FIVE-COMPONENT PLAN

BIMB HOLDINGS BERHAD

The establishment of BIMB in 1983 was a major milestone in the development of Islamic Banking in Malaysia, as BIMB was the first full-fledged Islamic bank in Malaysia. In 2005, after more than two decades of operations, Bank Islam was suddenly deep in the red, with a loss of RM480 million. By 2006, losses had ballooned to RM1.3 billion.

The company embarked upon a transformation journey, starting with the appointment of a new Managing Director. BIMB aggressively implemented a five-component turnaround plan which included strategic changes to grow new business, an intensive loan recovery programme, as well as a re-branding exercise to change the Bank's mind-set, working culture, and the approach to doing business in a market place that is increasingly more knowledge-based and sophisticated. By 2008, BIMB was reporting its highest-ever profit at the time, with a profit before zakat and taxes (PBZT) of RM308 million.

BIMB continues its transformation path with Hijrah To Excellence (H2E), a 3-year corporate master plan spanning from 2013 to 2015. BIMB has achieved above 20% year-on-year financing growth in 2014.

Within two years, BIMB had turned around from losses of RM1.3bn in 2006 to a profit (before zakat and taxes) of RM308mn in 2008

1. Recapitalisation and balance sheet restructuring
2. IT infrastructure revamp
3. Organisational transformation programme
4. Cost rationalisation exercise
5. Human capital development

[1] Profit after tax and minority interests

EXHIBIT 3.1.2: STAY THE COURSE IN EXECUTING THE 10-YEAR GLCT PROGRAMME - SELECTED EXAMPLES FROM 2004 – 2014 (CONT'D)

Boustead Holdings Berhad

STRATEGIC TRANSFORMATION TOWARDS VALUE ENHANCEMENT

Boustead complied with all the GLCT Programme Initiatives by developing and introducing formal policies that are consistent with the various GLCT Initiatives, such as:

- Boustead Group Investor Relations (IR) Policy Framework
- Boustead Group Procurement Framework
- Boustead Group Corporate Social Responsibility (CSR) Policy
- Cost Saving Measures Initiatives

STRATEGIC TRANSFORMATION TOWARDS VALUE ENHANCEMENT

CCM is pursuing an **enhanced vision and mission**, moving towards a new horizon of more productive and value-enhancing work culture.

HOLISTIC
Initiatives touching on all aspects of the company

MINDSET CHANGE
Ownership
Excellence
Knowledge
Collaboration

SUSTAINABLE
Achieves success through a system of values and standards that survive individuals

1 STRATEGY
2 OPERATIONS
3 PEOPLE
4 FINANCIAL

TRANSFORMING TO BECOME MORE EFFICIENT, FOCUSED AND DIGITALLY ENABLED BY 2018

CIMB

CIMB has come a long way from its origins as an investment bank – the result of both organic growth and numerous mergers and acquisitions (M&A). A key turning point in this journey was the merger between Bumiputra-Commerce Bank and CIMB to create a universal banking platform. This was unprecedented at the time as all Malaysian banking groups had separate legal entities for their investment and commercial banking operations. This was a testament to the commitment CIMB had towards undertaking strategic changes in line with the principles of the GLCT Programme.

CIMB Group underwent a massive transformation within a ten year period from 2005 to 2014. The transition from operating as a merchant bank to a full service universal bank brought about major alterations to CIMB's market capitalisation, markets served, shareholders' funds, assets and staff strength among others.

From humble beginnings in Sarawak in 1924, CIMB has grown into a bank with assets worth RM414 billion and 40,000 staff, providing a comprehensive range of universal banking products and services, catering not only to Malaysians, but to customers and clients throughout the ASEAN region. Today, CIMB continues its transformation by aggressively embarking on a journey to transform the firm and its businesses into a digital bank by 2018.

7 MAJOR MERGERS & ACQUISITIONS starting with the acquisition of GK Goh Securities and operational merger with Bumiputera-Commerce Group in 2005

EXHIBIT 3.1.2: STAY THE COURSE IN EXECUTING THE 10-YEAR GLCT PROGRAMME - SELECTED EXAMPLES FROM 2004 – 2014 (CONT'D)

Maybank — TRANSFORMING TO BE A REGIONAL FINANCIAL SERVICES LEADER

2008

MAYBANK LEAP 30

LEAD, EXECUTE, ACHIEVE, PROGRESS

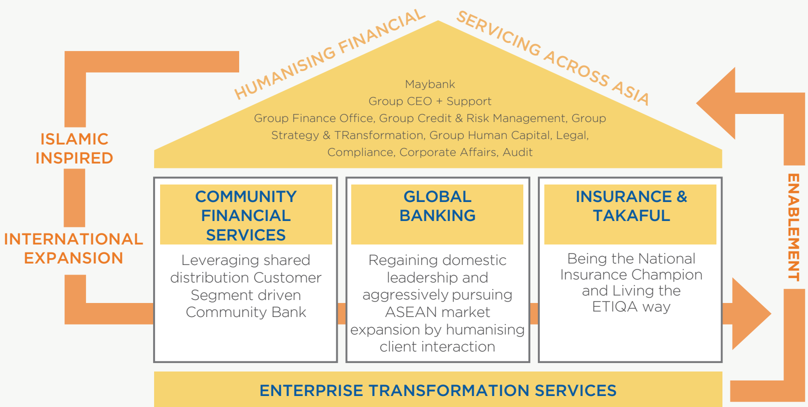
In 2008, Maybank Group embarked on a transformation programme named LEAP 30 (Lead, Execute, Achieve, Progress) involving 30 initiatives designed to secure their leading position in the Malaysian financial services industry and to expand their presence regionally by 2015. To transform the Group, strategic initiatives were introduced to stimulate sales, strengthen client relationship management, improve processes and internal systems, enhance the talent pool, and raise customer service standards.

2010

HOUSE OF MAYBANK

To ensure convergence of many sectors into main business pillars

As part of the LEAP 30 programme, the House of Maybank was introduced in July 2010 to ensure convergence of the many sectors into main business pillars supported by the foundation and the roof to realise Maybank's Vision and Mission. The House of Maybank initiative has been instrumental in delivering greater efficiencies, higher productivity and savings, synergies and strong business results year-on-year.



2014

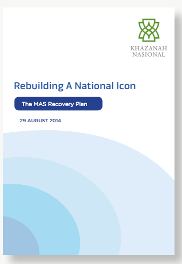
REVISED GROUP STRUCTURE

To accelerate to the next level of regional business performance and operational excellence beyond 2015

With a solid foundation, Maybank reorganised to further accelerate to the next level of regional business performance and operational excellence that will take them to 2015 and beyond. This means elevating the Group's regionalisation efforts to further raise efficiency and productivity, reap value from synergies, realise potential, strengthen leadership positions in businesses across the Group and institutionalise a sustained high performance culture. To catalyse the above, a revised Group Structure has been operationalised since 1 January 2015.

---

malaysia airlines



12 point

enabling plan to return MAS to sustained profitability and revive Malaysia's national flag-carrier

REBUILDING A NATIONAL ICON - THE MAS RECOVERY PLAN

In spite of those multiple challenges faced over the past ten years, MAS actually recorded audited net profits for a total of seven years. Unfortunately, these profits were outweighed by the quantum of losses including a RM750 million loss in the first half of 2014, resulting in cumulative net losses of RM8.4 billion from 2001 to June 2014.

The MAS Recovery Plan was introduced in the context of an on-going MAS restructuring exercise. The terms of reference were to undertake a comprehensive and unconstrained review of all options, in order to understand and overcome all previous structural impediments. The plan was defined by 12 distinctive features:

- Creation of a new legal entity (NewCo) to house New MAS
- Funding of up to RM6 billion on a strict conditional basis, and reduction of net gearing to approximately 120%
- Reset the operating business model through a more regionally-focused network, lower cost structure, and greater focus on revenue and yield management
- Move headquarters (HQ) and operations from Subang to KLIA
- Strengthen assurance, integrity and safety functions
- Review and, where appropriate, renegotiate supply contracts
- Strengthen Leadership
- Right-size the workforce to an estimated 14,000 employees at NewCo
- Strengthen industrial relations and internal alignment
- Reskilling, job creation, and redeployment
- Appropriate Government support on key initiatives
- Continuous communication and stakeholder engagement

The recovery plan is in full-swing and has since showed steady and sustained progress in all key areas under the MAS Recovery Plan.

EXHIBIT 3.1.2: STAY THE COURSE IN EXECUTING THE 10-YEAR GLCT PROGRAMME - SELECTED EXAMPLES FROM 2004 – 2014 (CONT'D)

MALAYSIA AIRPORTS FINANCIAL RESTRUCTURING

4 KEY AREAS OF FOCUS

1. Re-establish Operator/ Manager Role
2. Impose Revenue Sharing as payments
3. Introduce Marginal Cost Support (MARCS)
4. Establish Framework or PSC Tariff & Restitution

In 2009, MAHB and the Government signed agreements to conclude the approved restructuring plan. The financial restructuring plan is a win-win situation for the Government and MAHB, implemented through a public-private partnership arrangement.

With the New Operating Agreements in place; Malaysia Airports is now restructured and able to operate its airports with a clear business direction.

INCREASED FOCUS ON CORE BUSINESS AND MERGER SYNERGIES PROPELLING MRCB TO GREATER HEIGHTS

MRCB embarked on a transformation plan that involves the monetization and disposal of its non-core assets. The disposals are part of the macro strategy to focus on the core business of property development and specialised infrastructure, concession and environment projects.

Resulting from the merger with Gapurna Group in 2013, MRCB had marked a significant milestone in its business strategy as Gapurna brought along a wealth of experience in property construction and development as well as prime land banks around the Klang Valley. These attributes fit perfectly with MRCB's vision, enabling the synergy between the two entities which will propel MRCB to greater heights in property construction and development.

41.1% CAGR IN MULTIPLE FOLD GROWTH OF PROFIT AFTER TAX (PAT) BETWEEN 2004 AND 2014

Between 2004 to 2008, MBSB was focused on recovery and streamlining its operations. MBSB also took steps to consolidate its operations, cut costs and dispose non-core assets. During this period, MBSB focused on mortgages and developed its Islamic financial products. The initial turnaround initiatives were successful and MBSB registered a PAT of RM32 million in 2004 and maintained PAT at RM33 million in 2008.

From 2009 onwards, the new management team spearheaded by Dato' Ahmad Zaini Othman initiated the transformation programme with the theme of "Taking MBSB to the Next Level". MBSB built its capabilities in corporate business and subsequently intensified its corporate business activities supported by the establishment of new core divisions.

Prioritizing new business growth, MBSB broadened its focus from primarily a mortgage provider to a wide range of financial products including personal financing to the government sector through salary deduction, and corporate products such as contract financing and private finance initiatives, and broadening the range of mortgage segments.

MBSB has achieved encouraging growth over the past ten years. With growth of 41.1% CAGR in Profit After Tax (PAT) between 2004 and 2014, MBSB has consistently outperformed the overall 10.2% CAGR in G20 net profit since 2004. Even amidst tougher conditions for G20 banks, MBSB was a star performer in 2014, achieving record PAT of over RM1 billion and net profit growth of 69% year-on-year.

RM3.0 bn ▶ ISSUANCE OF COVERED SUKUK MURABAHAH IN 2013

RM1.0bn
2014

RM32mn
2004

41.1%
CAGR in
Profit After Tax (PAT)
between 2004 and 2014

LANDMARK MERGER TO FORM MALAYSIA'S LARGEST PLANTATION COMPANY

The merger between Kumpulan Sime Darby Berhad, Golden Hope Plantations Berhad and Kumpulan Guthrie Berhad created Malaysia's largest company, Sime Darby. This merger was announced on 27 November 2006, heralding Malaysia's largest corporate merger ever and the creation of one of the largest listed companies on Bursa Malaysia. The motivation behind the merger was to drive productivity in Malaysia's palm oil industry, increase the country's competitiveness and help attract investors.

The motivation behind the merger was to drive productivity in Malaysia's palm oil industry, increase the country's competitiveness and help attract investors.

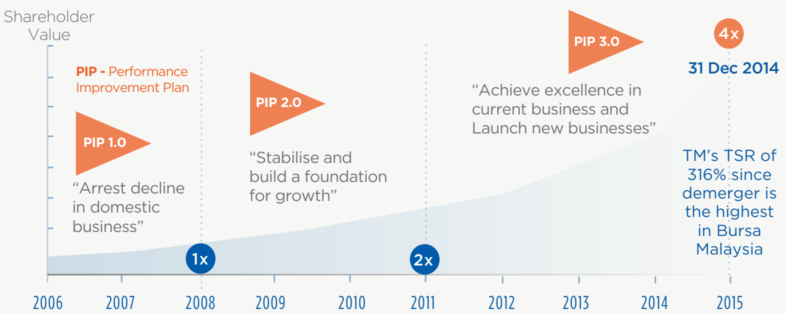
EXHIBIT 3.1.2: STAY THE COURSE IN EXECUTING THE 10-YEAR GLCT PROGRAMME - SELECTED EXAMPLES FROM 2004 – 2014 (CONT'D)

TRANSFORMING INTO MALAYSIA'S CONVERGENCE CHAMPION

26.6%

TSR GROWTH P.A. SINCE DEMERGER

Focusing on improving overall productivity while managing key stakeholders, TM increased TSR by 316% from the date of demerger with 26.6% growth per annum in 2008 until end 2014, the highest in TSR growth recorded in Bursa Malaysia over this period.



STRATEGIC TRANSFORMATION TOWARDS REGIONAL EXPANSION

1TNB TRANSFORMATION PROGRAMME (1TTP)

6

KEY RESULTS AREAS (KRAS) TO BECOME A STRONG DOMESTIC LEADER WHILE GROWING AS A REGIONAL CHAMPION

- KRA 1: ENHANCE REGULATORY ENGAGEMENT
- KRA 2: EXCEED CUSTOMER EXPECTATIONS
- KRA 3: DRIVE OPERATIONAL AND COST EFFICIENCY
- KRA 4: GROW PROFITABLE NEW BUSINESS
- KRA 5: TRANSFORM ORGANISATION
- KRA 6: SESB TURNAROUND

Driven by 1TTP, TNB posted its best ever profits of RM6.4 billion in 2014 on the back of improved regulatory environment, enhanced business operations and increased demand for electricity.

LANDMARK CORPORATE EXERCISE TO REPOSITION FOR GROWTH

One of Malaysia's largest conglomerates, UEM Group embarked on a landmark group restructuring exercise in February 2008 to unlock the value of its companies and reposition them for future growth. The restructuring exercise entailed, among others, the delisting of UEM World and the listing of UEM Land which owns approximately 10,000 acres of land in Nusajaya, Johor. UEM Land, with its focus on Township and Property Development, is the master developer of Nusajaya, a flagship zone in Iskandar Malaysia. Apart from higher visibility for UEM Land, the listing provides it with broader access to capital markets to fund future growth and higher coverage of its projects in Nusajaya to local and overseas investors. The higher profile for UEM Land and Nusajaya has boosted valuations and helped realise some of the value of the Group's land bank. UEM Land is now known as UEM Sunrise following its acquisition of Sunrise Berhad in February 2011.

The restructuring also saw the delisting of UEM Builders and CIMA. This enabled both companies to restructure and streamline their quarry and ready-mix companies under CIMA, the third largest cement player in Malaysia. In March 2011, UEM Group monetised its investment in Pharmaniaga via a cash divestment of approximately RM534 million. Following the completion of the restructuring, UEM Group has four (4) core businesses comprising Expressways, Engineering and Construction, Township and Property Development, and Asset and Facility Management.

TH PLANTATIONS BERHAD

STRATEGIC TRANSFORMATION WITH REGIONAL FOOTPRINT

2006 **15,000 ha**

2014 **106,000 ha**

LAND BANK INCREASED **6x**

3 KEY GROWTH NODES

- Value enhancement of the enlarged plantation platform
- Land bank expansion
- Humanising business operations

CONTINUOUS TRANSFORMATION TO DRIVE ACHIEVEMENT AND SUSTAIN LANDMARK PROFITS

UMW Holdings Bhd targets overall annual profit of RM1.75 billion by 2015 under its 5 Year Business Plan after successfully exceeding the RM1 billion mark in 2008 (Quantum Leap Project).

UMW introduced "Pulau Pinang Declaration" as a continuation of the Quantum Leap Project success with the objectives to encourage healthy competition among the company's four Core Divisions to improve productivity and operational efficiency.

QUANTUM LEAP I to drive achievement of PBT RM1.0 billion in 2009

QUANTUM LEAP II to drive achievement of PBT RM1.75 billion in 2015

VALUE CREATION THROUGH LISTING OF UMW OIL & GAS DIVISION

RM6.0BN MARKET CAPITALISATION AT IPO

Source: G20 submission to PCG Secretariat, PCG Secretariat analysis

1

Overall, the GLCT Programme has been a success - TM is well on our transformation journey today, first as Malaysia's broadband champion and now as the convergence champion because the Programme was the catalyst for change.

Dr. Farid Mohamed Sani
Chief Stratergy Officer, Telekom Malaysia Berhad

2

3

1. Menara TM on Jalan Pantai Baharu, Kuala Lumpur, TM's headquarters
2. MBSB's reception - MBSB has broadened its focus from being primarily a mortgage provider to providing a wide range of financial products
3. Former Malaysia Airlines CEO, Ahmad Jauhari Yahya (front row, fourth from right) handing over the leadership reigns to new CEO, Christoph Mueller (front row, third from left) who took over on 1 May 2015, as part of the MAS Recovery Plan

The first phase of a restructuring requires swift and decisive decision making. One cannot waste the time in justifying decisions from the past. All energy needs to be pointed towards the future.

Christoph Mueller
CEO, Malaysia Airlines

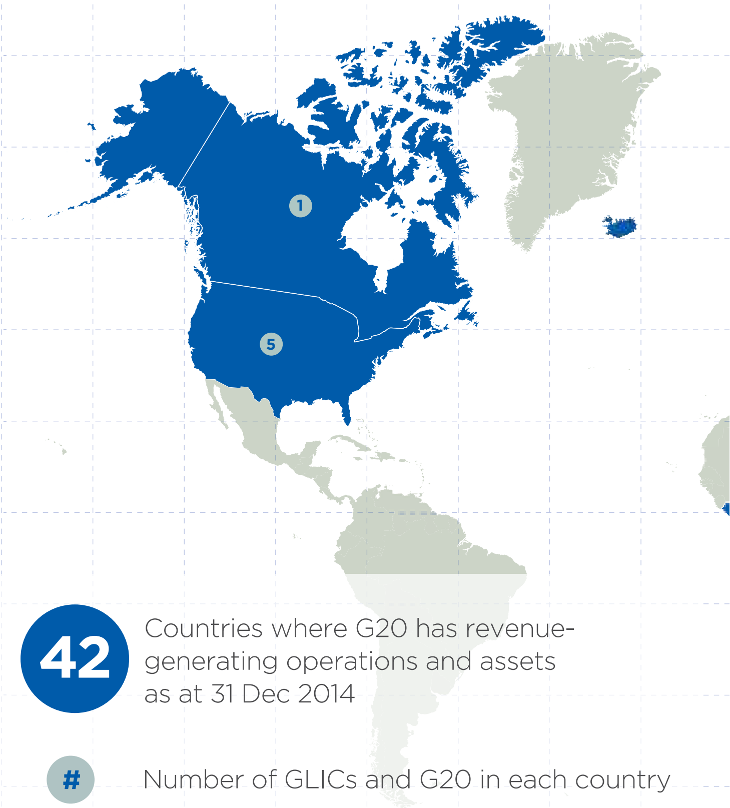
B. Role 2: Relentless drive to become regional champions

GLICs and GLCs are encouraged to become regional champions to help grow Malaysia's Gross National Income (GNI). This is crucial to support the Nation's drive to become a high income nation. While domestic demand is a key driver of growth, Malaysia has a small domestic market with a population just under 30 million. Therefore, a diversified economy is required to place Malaysia on a steady growth path and the GLCs' international expansion supports this.

G20 has gone regional and global with overseas share of revenue growing from 28% to 34% from 2004 to 2014 and revenue-generating operations in 42 countries (see Exhibit 3.1.3).

G20 also saw the proportion of their assets abroad grow from 11% to 26% over the same period. G20 has an increasingly international presence within their workforce as employee headcount for operations outside Malaysia grew from 2,325 to 98,311 from 2004 to 2014.

EXHIBIT 3.1.3: INTERNATIONALISATION OF GLICs AND GLCs



COUNTRIES WHERE GLICs HAVE PRESENCE AS AT 31 DECEMBER 2014

Malaysia

KHAZANAH NASIONAL
Malaysia
China
India
Turkey
USA

Malaysia

TABUNG HAJI
Malaysia
Saudi Arabia

PNB Permodalan Nasional Berhad
Malaysia
Japan
Singapore
United Kingdom

COUNTRIES WHERE G20 HAVE REVENUE-GENERATING OPERATIONS AND ASSETS AS AT 31 DECEMBER 2014

AFFIN HOLDINGS
Malaysia

axiata
Malaysia
Bangladesh
Cambodia
Indonesia
Pakistan
Sri Lanka

BIMB HOLDINGS BERHAD
Malaysia
Indonesia
Sri Lanka

Boustead Holdings Berhad
Malaysia
Indonesia
Singapore
United Kingdom

ccm
Malaysia
Indonesia
Philippines
Singapore

CIMB
Malaysia
Bahrain
Brunei
Cambodia
China
Hong Kong
India
Indonesia
Korea
Laos
Singapore
Sri Lanka
Taiwan
Thailand
United Kingdom
USA
Vietnam

MALAYSIA AIRPORTS
Malaysia
India
Qatar
Turkey

malaysia airlines
Malaysia
Australia
Bangladesh
Belgium
Brunei
Cambodia
China
France
Germany
Hong Kong
India
Indonesia
Japan
Korea
Myanmar
Nepal
Netherlands
New Zealand
Philippines
Saudi Arabia
Singapore
Sri Lanka
Switzerland
Taiwan
Thailand
Turkey
UAE
United Kingdom
USA
Vietnam

Maybank
Malaysia
Bahrain
Brunei
Cambodia

Source: G20 submission to PCG Secretariat, PCG Secretariat analysis

China
Hong Kong
India
Indonesia
Papua New Guinea
Philippines
Singapore
Thailand
United Kingdom
USA
Vietnam

MBSB
Malaysia

MRCB
Malaysia

Sime Darby
Malaysia
Australia
Brunei
China
Hong Kong
Indonesia
Macau
Netherlands

New Caledonia
New Zealand
Papua New Guinea
Singapore
Solomon Islands
South Africa
Taiwan
Thailand
United Kingdom
Vietnam

TH PLANTATIONS BERHAD
Malaysia
Indonesia

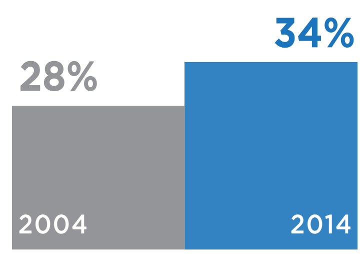
TM
Malaysia
China
Hong Kong
Indonesia
Singapore

TENAGA NASIONAL
Malaysia
Pakistan
Saudi Arabia

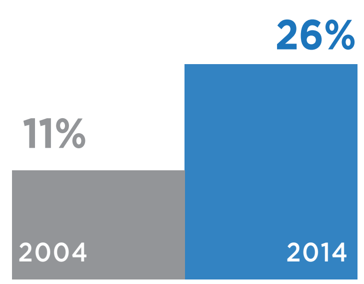
UEM
Malaysia
Australia
Brunei
Canada
India
Indonesia
New Zealand
Singapore
UAE
United Kingdom

UMW
Malaysia
Australia
Bahrain
China
Hong Kong
India
Indonesia
Myanmar
Oman
Papua New Guinea
Singapore
Taiwan
Thailand
United Kingdom
Vietnam

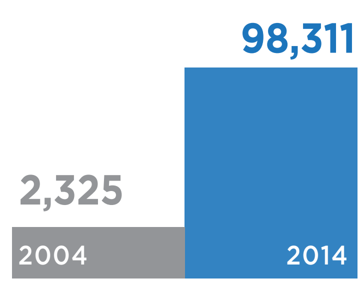
G20 overseas share of revenue



G20 overseas share of assets



G20 employee headcount[1] for operations outside Malaysia



[1] Employee headcount includes Malaysians and non-Malaysians employed by G20

Source: G20 submission to PCG Secretariat, PCG Secretariat analysis

GLICs and GLCs have significantly internationalised over the past 10 years

In recent years, there have been greater internationalisation efforts across the board. Since the start of the programme, GLICs and GLCs have expanded their foreign portfolio, market share and customer base, as well as attained regional and global recognition through achievements and awards.

TNB now has a business presence in seven countries outside Malaysia and is exploring strategic opportunities to expand its international footprint and to increase non-regulated revenue. Through the Energy Ventures Division, TNB is looking into taking its expertise to developing markets in Asia and the Middle East, such as Indonesia, Vietnam, Myanmar, Sri Lanka, Turkey, Kuwait, the UAE and Saudi Arabia where demand for power is expected to grow rapidly.

Meanwhile, in 2014, THP completed the acquisition of 93% equity interest in PT Persada Kencana Prima which owns plantation land of approximately 11,380 hectares in East Kalimantan, Indonesia. This marks THP's maiden expansion into Indonesia.

As an airline that operates domestic and international routes, MAS continues to maintain links to cities around the world. Despite a reduced network footprint over the last 10 years in response to commercial market demand, the recent inclusion into the oneWorld alliance in 2013 has enabled MAS to offer connectivity to 154 countries.

Also aspiring to expand abroad, Affin Holdings Berhad is intending to propose Islamic Banking operations in China. This is in light of the huge potential for growth in the country given that there are no Islamic Banking operations and framework in China presently. The proposal has the potential to be complementary and value-add to the Affin Group through leveraging and obtaining support from its strategic partner, The Bank of East Asia Limited.

GLICs and GLCs have significantly internationalised over the past 10 years

Many GLICs and GLCs have grown abroad over the last ten years. Throughout the internationalisation process, they have embarked on a series of key transactions and corporate exercises to expand their overseas presence (see Exhibit 3.1.4).

EXHIBIT 3.1.4: SELECTED KEY INTERNATIONALISATION MILESTONES FROM 2000 - 2014

2004

Malaysia Airports
First overseas investment by MAHB via PPP bidding with GMR Group for the Development, Construction, Operation and Maintenance of the **Hyderabad International Airport**

Sime Darby
Motors
Acquisition of North Shore Motor Holdings Limited (BMW dealer) and the Jardine Cycle & Carriage (truck dealer and Kia, Nissan and Mitsubishi distributor) motor business in **New Zealand**, making it the largest truck distributor in the country

Tenaga Nasional
Malaysian Transformer (MTM) supply of transformers to **Kingdom of Saudi Arabia (KSA)**

UMW
JV between UMW and **Japan** Drilling Company (JDC) to operate and co-ownership of Semi Submercible Offshore Rig

2005

CIMB
Acquisition of GK Goh Securities in **Singapore** to create a regional investment banking platform

Sime Darby
Industrial
JV with Terberg Benschop B.V. of the **Netherlands**, one of the world's leading manufacturers of terminal tractors

Motors
Completed the Hyundai-Berjaya deal, where Sime Darby Motor owns a 51% controlling interest in Hyundai Sime Darby Berhad and Hyumal Motor Sdn Bhd, as well as a 36% equity interest in Inokom Corporation Sdn Bhd (Inokom)

TM
Reprioritisation of focus towards regional expansion with acquisition of PT Excelcomindo Pratama in **Indonesia**

TM established its presence in **Singapore** with acquisition of a 12% stake in Singapore's MobileOne Limited (M1)

Tenaga Nasional
First Investment in **Kingdom of Saudi Arabia (KSA)** via a Malaysian Shuoaiba Consortium Sdn Bhd together with Khazanah & Malakoff - the first Independent Water & Power Plant (IWPP) in KSA.

Tenaga Switchgear (TSG) supply of switchgears to **Pakistan**

UMW
Opening of UMW Oil and Gas Bangkok Regional Office in **Thailand**

Acquisation of PFP Holding Pte Ltd in **Australia**

2006

Malaysia Airports
Second overseas investment and MAHB's second investment in **India**

MAHB-GMR Consortium won the bidding for the Development, Construction, Operation and Maintenance of the Delhi International Airport

Maybank
First Malaysian bank to offer an over-the-counter cash withdrawal service in **Singapore, Brunei & Philippines**, called Region Link

PNB (Permodalan Nasional Berhad)
Established office in **London**

TM
Continued regional expansion with acquisition of stake in India's Spice Communications

Dialog, TM's subsidiary in **Sri Lanka**, launched South Asia's first 3G service

UEM
Oversea venture into Indonesia for the development, conctruction and operation of Cikopo Palimanan Highway, one of the longest stretch in **Indonesia**
(The highway was officially opened on 13 June 2015 by President of Indonesia)

2007

axiata
Spice - TMI's initial investment in **India** was listed on the Bombay Stock Exchange

Malaysia Airports
Third overseas investment by MAHB

The Consortium consisting of MAHB, LIMAK Group and GMR Group won the tender for the Development, Management and Operation of Istanbul Sabiha Gokcen International Airport (SGIA) in **Turkey**

Sime Darby
Group
Completion of the merger between Kumpulan Sime Darby, Golden Hope Plantations and Guthrie Berhad has successfully led to creation of the **world's largest** listed oil palm plantation company

UMW
Set up UMW oilfield services for pipe inspection and repair services in **Turkmenistan**

2008

axiata
Telekom Malaysia International (TMI) demerged from TM in order to better position itself as a Regional Telecommunications Group

Spice merged with Idea with TMI investing further into Idea resulting in approx. 19.8% stake in **India**

CIMB
Establishment of CIMB Niaga through the merger between Bank Niaga and Bank Lippo to create the fifth largest bank in **Indonesia**

Acquisition of Bank Thai in **Thailand**

Khazanah Nasional
Established **China** and **India** offices

Malaysia Airports
Execution of the Implementation Agreement for the establishment of Sabiha Gokcen Airport New International Terminal Building in **Turkey** and its complementaries via Built Operate Transfer model

Maybank
Acquires stakes in PT Bank Internasional **Indonesia**, An Binh Bank of **Vietnam** and MCB Bank Ltd of **Pakistan**

PNB (Permodalan Nasional Berhad)
Established office in **Tokyo**

2009

Boustead Holdings Berhad
Malaysia Helicopter Services Aviation - Established **Mauritania** operations

CIMB
Launch of retail banking operations in **Singapore**

Acquisition of a 19.99% stake in the Bank of Yingkou in **China**

Sime Darby
Plantation
Successfully commenced first oil palm planting in **Liberia**

Announced successful sequencing, assembly and annotation of the oil palm genome, which enabled Sime Darby Plantation to significantly increase oil palm yields

TM
Completion of the Asia-America Gateway (AAG) submarine cable system, a new high-speed cable system that directly connects **South East Asia** to **North America** with an initial capacity of 500Gbps

TM and Verizon Business built new IP Hub to support delivery of advanced data services to Malaysian-headquartered companies throughout the region

Tenaga Nasional
TNEC (JV) with Abu Dhabi Al Samah Group for District Cooling Plant in **Abu Dhabi, UAE**

UMW
Set up India Ventures - Sathya, Castwell, Dongshin Motech - an automotive parts manufacturer in **India**

JV between UMW and Arabian Drilling Services (ADS) for onshore drilling activities in **Oman**

2010

axiata

Axiata achieved a Revenue Rank of #5 in **ASEAN** / **South Asia**

CIMB

Launch of banking operations in **Cambodia**

Malaysia Airports

Fourth overseas investment by MAHB

GMR-MAHB Consortium declared as the winner for the bidding of Male International Airport in **Maldives**

Execution of the Rehabilitation, Expansion, Modernization, Operation and Maintenance Agreement relating to Male International Airport

Maybank

Maybank **Singapore** launches first Islamic financing package for SMEs

PT Bank Maybank Indocorp converted to full-fledged Islamic bank: Maybank Syariah **Indonesia**

Maybank Foundation established to spearhead Corporate Responsibility initiatives in the region

Sime Darby

Motors
In 2010, Shanghai Sime Darby Motors was the **world's second largest** dealer of Roll-Royce motorcars by sales volume

TM

TM launched the Jakarta IP Hub in **Indonesia**, that provides customised cost-effective solutions of flexible bandwidth increments up to 1Gbps, catering to the needs of business enterprises

Tenaga Nasional

REMACO awarded the Operation & Maintenance (O&M) Contract of the 225MW Combined-Cycle Diesel in Narowal, **Pakistan**

2011

axiata

Dialog Axiata acquired Suntel Ltd in **Sri Lanka**

Boustead Holdings Berhad

Malaysia Helicopter Services Aviation - Established joint venture company in **Timor Leste**

Maybank

Acquisition of Kim Eng Holdings Ltd. - a Singapore listed investment banking group with regional platform. First Malaysian bank to launch Overseas Mortgage Loan Scheme for property in **London**

Sime Darby

Industrial
Acquisition of business and assets used in the Bucyrus distribution business for the Caterpillar dealership for **Queensland and the Northern Territory of Australia, Papua New Guinea** and **New Caledonia**

TM

Completion of the Batam-Dumai-Melaka (BDM) cable system that enhances regional connectivity and facilitate future growth prospect between **Indonesia** and **Malaysia**

Tenaga Nasional

REMACO awarded the Operation & Maintenance (O&M) Contract of the 84 MW New Bong Escape Hydroelectric Power Complex, Kashmir Pakistan. first Hydro IPP in **Pakistan**

2012

axiata

Strategic merger of Hello and Smart in **Cambodia** Completion in February 2013

BIMB Holdings Berhad

20% stake in Amana Bank Ltd incorporated in **Sri Lanka**

CIMB

Acquisition of most of the Asia Pacific cash equities and investment banking businesses of the Royal Bank of Scotland, expanding or adding operations in **Sydney, Melbourne, Hong Kong, London** and **New York**

Acquisition of SICCO Securities in **Thailand**

Maybank

First branch in **Laos** opens

Local incorporation, launch of Maybank2u and opening of 12th branch in **Cambodia**

New branch in **Beijing** opens

Regional Cash Management platform launched

Sime Darby

Plantation
Morakot Industries made history by being one of the first companies in **Thailand** to receive the Carbon Footprint Label Certificate from the Thailand Greenhouse Gas Management Organisation

Property
Sime Darby entered into a JV agreement with SP Setia and EPF to develop Battersea Power Station Property Project in **London**. Sime Darby and SP Setia each holds 40% of the equity stake in the JV Company while EPF holds 20% of the remaining stake.

Energy & Utilities (China)
Announced 5-Year Expansion Plan to develop 11 new berths, combined with the establishment of dedicated container shipping routes connecting Weifang Port in Weifang, Shandong Province in **China**

TM

Establishment of TM **Hong Kong** Data Centre to cater for demand in enterprise hosting services and as a disaster recovery facility

Completion of the **Malaysia-Japan link** for Cahaya Malaysia, TM's first private international submarine cable system providing industry-leading ultra-low latency connectivity

UEM

Securing syndicated IDR8.8 trillion funding from 22 banks in **Indonesia**

UMW

Setting up of UMW Instep Drilling Academy - one of its kind to cater for ASEAN drilling competency enhancement program

2013

axiata

Established edotco Group - one of the largest telecommunications infrastructure companies in **South East Asia**

BIMB Holdings Berhad

Central bank of **Sri Lanka** capped foreign ownership to 15% and gave the Bank until 2015 to pare down their shareholding. As at 2013, shareholding in Amana was 17.79%

Boustead Holdings Berhad

Signing of a JV agreement with Modern Healthcare Solutions Company Limited for the construction and operation of a pharmaceutical manufacturing plant in the **Kingdom of Saudi Arabia**

Acquire hotel in **London** to expand the Royale Bintang brand

CIMB

Completes Asia Pacific investment banking platform with new operations in **Taiwan, India** and **Korea**

Khazanah Nasional

Opening of Khazanah Americas Inc. in San Fransisco, **United Sate of America**

Opening of Khazanah Turkey Regional office in **Istanbul**

Lembaga Tabung Haji

Established Equity Portfolio management division

Maybank

Expands Overseas Mortgage Loan Scheme to include properties in **Sydney, Perth** and **Singapore**

Sime Darby

Healthcare
50-50 joint venture between Sime Darby's Healthcare business and Ramsay Healthcare, which consolidates all Sime Darby's portfolio of healthcare assets in Malaysia with Ramsay's three hospitals in **Indonesia**

TM

Acquisition of minority stake in Bluetel Networks Pte Ltd, **Singapore** to enable regional expansion

Establishment of TM **Australia** Regional Office

TM joins hands with regional telco players for the establishment of the Bay of Bengal Gateway (BBG) submarine cable system

Tenaga Nasional

REMACO (JV) awarded the Operation & Maintenance (O&M) Contract of Shuaibah North Co-Generation (Power & Distillation) Plant in **Kuwait**. 780MW of power and 45 Million Imperial Gallons Per Day (MIGPD) of distilled water

Malaysian Transformer (MTM) awarded the contract for Remanufaturing of transformers in **Indonesia**

UEM

First overseas venture in Melbourne, Australia under UEM Sunrise

Acquisition of two parcels of land in October 2013 at La Trobe & Mackenzie St.

Appointment of consultant was done after lands were acquired.

2014

axiata

Strategic merger of XL and AXIS. Completion of AXIS acquisition in March 2014

Divestment of SAMART i-Mobile in July 2014

Crossed the 260 million subscriber threshold

BIMB Holdings Berhad

Shareholding in Amana is pared down to 14.44%

Boustead Holdings Berhad

Completionf of acquisition of PT Errita Pharma in **Indonesia**

CIMB

Launch of banking operations in **Lao PDR** with opening of CIMB Thai Vientiane branch

KWSP

EPF's global investment accounted for 25% of total investment

Malaysia Airports

Completion for the acquisition of 40% stake in Istanbul Sabiha Gokcen International Airport Investment Development and Operation Inc. (ISG) and LGM Tourism from GMR Group in **Turkey**

Completion for the acquisition of the balance 40% stakes in ISG and LGM from LIMAK Group. With this acquisition, ISG and LGM are wholly owned subsidiary of MAHB

Maybank

Launched Etiqa Insurance Pte Ltd in **Singapore**

First bank to offer trade financing in Ringgit to customers in **China**

Launched inaugural Tokyo Pro-Bond in **Japan**

Sime Darby

Plantation
Acquisition of a 30% stake in Verdezyne, a **US-based** industrial biotechnology company

Sime Darby Plantation launched a takeover offer for the shares of New Britain Palm Oil Limited (NBPOL) at GBP1.1 billion for up to 100% shareholding. The acquisition was subsequently completed in March 2015

Motors
Entered new geographies through acquisition of Kia distributorship in **Taiwan** and BMW/MINI distributorship in **Vietnam**

Made its maiden foray into the BMW market in **Australia** by acquiring the BMW/MIINI dealership in Brisbane

TH Plantations Berhad

THP completed its acquisition of 93% equity interest in PT Persada Kencana Prima in 2014 which owns a total plantation land of approximately 8,500 Ha in North Kalimantan, **Indonesia**

TM

TM teams up with Etisalat for SmartHub Data Centre, enhancing TM's reachability in the **Middle East** and **Africa**

TM joins hands with regional and global telcoplayers for the establishment of the South East Asia – Middle East – Western Europe 5(SEA-ME-WE 5) submarine cable system, connecting three continents: **Asia, Africa** and **Europe**

Tenaga Nasional

REMACO (JV) awarded the Operation & Maintenance (O&M) of 225MW Sabiya Power Generation & Water Distillation Plant in **Kuwait**

UEM

Launch of Aurora took place in mid-October 2014 with 95% take up rate in 2 weeks and achieved RM1.4 billion sales

Product launched was a 92-storey integrated development in Melbourne CBD, **Australia**. It has a GDV of AUD758 million

Source: G20 submission to PCG Secretariat, PCG Secretariat analysis

Other GLICs and GLCs are also leveraging strategic partnerships to go abroad. In 2012, Sime Darby, SP Setia Berhad and EPF formed a consortium to acquire London's Battersea Power Station and won the competitive bid against approximately 15 international bidders. With a gross development value of GBP8 billion, the redevelopment project is truly iconic in nature and signifies the value and capabilities of Malaysian partnerships.

Meanwhile, Khazanah pursued a gradual internationalisation investment policy by focusing on areas that are of strategic interest to both Khazanah and its investee companies. In 2004, Khazanah did not have any offices outside Malaysia. Today, its global offices include the US, Turkey, India and China. Khazanah will also open an office in London. Reflecting this, about 44% as of July, 2015 of Khazanah's portfolio is effectively invested overseas.

EPF and PNB undertook international investments as part of portfolio diversification strategy to reduce concentration risks and increase returns. EPF expanded its investment portfolio and also outsourced funds to external portfolio managers. In 2014, EPF's global investments accounted for 25% of total investment assets. Meanwhile, PNB established an International Fund Management unit in the 1980s and established international offices in Singapore (2000), London (2006) and Tokyo (2008). PNB also has a private equity partnership in New York (2012).

Similarly, LTH has began to tap into the growth potential of the regional markets by establishing a Foreign Equity Portfolio management division in September 2013, tasked to cover Shariah-compliant stocks in the Asia Pacific. LTH also continues to invest in real estate opportunities with good potential in the holy cities of Makkah and Madinah, UK and Australia.

In recognition of the opportunities that exist for Malaysian companies to expand into the ASEAN market, GLICs and GLCs have also supported the nation's regional integration efforts as part of the ASEAN Economic Community (AEC). In 2011, CIMB established CIMB ASEAN Research Institute (CARI) as a regional public service in support of ASEAN's programme of economic integration, the AEC. CARI has been actively involved in publishing research and position papers as part of its commitment to facilitate the private sector in embracing the imminent formation of AEC.

GLCs making an impact regionally and globally

GLCs have not only internationalised but several have also made a mark regionally and globally. Today, five of the G20 (Axiata, CIMB, Maybank, Sime Darby and TNB) are listed in the top 2,000 of Forbes' world's biggest public companies in 2015[1]. Furthermore, Axiata has grown to become one of the largest telecommunications companies in Asia. CIMB and Maybank have significant operations in South East Asia while MAHB has become the first Asian company to fully own a European airport. IHH is today the largest listed hospital group in Asia and the second largest in the world by market capitalisation and Sime Darby is the world's largest listed palm oil player with a land bank of 860,454 ha in 2014 (see Exhibit 3.1.5 for more details).

For GLCs, and UEM Group in particular, there are numerous opportunities globally particularly in developing economies although to be successful we must understand and respect each country's culture, quirks and uniqueness. It goes without saying that a compatible partner is key - who can navigate through the local business environment, whom you can trust, influential, respected with a strong track record and the financial heft.

Dato' Izzaddin Idris
Group Managing Director and CEO, UEM Group Berhad

EXHIBIT 3.1.5: SELECTED EXAMPLES OF GLCS THAT HAVE MADE A MARK REGIONALLY AND GLOBALLY

AXIATA IS ONE OF THE LARGEST TELECOMMUNICATIONS COMPANIES IN ASIA

Axiata is one of the **largest telecommunications companies in Asia**, growing from 40 million customers prior to its de-merger from TM, to over 260 million customers across eight countries, in just seven years. Axiata has controlling interests in mobile operators in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia with significant strategic stakes in India and Singapore. In addition, the Malaysian grown holding company has a stake in non-mobile telecommunications operations in Pakistan.

Axiata remains a long-term regional investor. From 2008 to 2014, the company has contributed USD93 billion to the GDP of the 7 countries in which they operate, invested USD15.4 billion and USD38 billion in capital and operating expenditures respectively. In 2014, Axiata indirectly supported 1.3 million jobs and directly employs 25,000 employees across Asia - on top of connecting more than 450 million people via Axiata's networks within its footprint.

CIMB IS THE FIFTH LARGEST BANKING GROUP IN SOUTH EAST ASIA

CIMB Group currently operates in 17 countries, including nine ASEAN countries. **As the fifth largest banking group in South East Asia by asset size**, CIMB Group serves 13 million customers through its network of 1,000 branches, more than half of which are outside the Group's headquarters in Malaysia. CIMB Group's staff strength has grown from just over 1,000 in 2005 to over 40,000 to date. Beyond South East Asia, the Group also has a presence across key markets via their investment banking business, including the United States, United Kingdom, Korea, India, Sri Lanka, Taiwan, and Bahrain.

An examination of CIMB's rich history will show how the bank has grown in leaps and bounds from its humble beginnings in Sarawak. CIMB is a product of not just organic growth, but numerous M&A as well. In the last decade alone, CIMB has undertaken seven major M&As. Starting with the acquisition of Singapore based GK Goh Securities in 2005 up to the 2012 acquisition of RBS's Asia Pacific cash equities and investment banking business, CIMB has strengthened its dominance not only in the domestic market but also in the ASEAN and Asia Pacific banking market.

[1] The respective companies ranked as follows: Maybank (371), TNB (408), CIMB (574), Sime Darby (709), Axiata (932)

IHH Healthcare Berhad

IHH IS THE LARGEST LISTED HOSPITAL GROUP IN ASIA AND THE SECOND LARGEST IN THE WORLD

IHH Healthcare Berhad (IHH) is currently **Asia's largest and the world's second largest** listed private healthcare provider based on market capitalisation. IHH is a leading international provider of premium healthcare services in markets where the demand for quality healthcare is growing rapidly, specifically in Asia and Central & Eastern Europe, the Middle East and North Africa (CEEMENA) region. IHH operates over 7,000 licensed beds in 39 hospitals as well as medical centres, clinics and ancillary healthcare businesses across ten countries (including Singapore, Malaysia, Turkey, India, the People's Republic of China and Hong Kong, Brunei, Vietnam, the United Arab Emirates, Macedonia and Iraq), with over 3,000 new beds in the pipeline to be delivered through new hospital developments and expansion of existing facilities. IHH employs more than 25,000 people worldwide.

MAHB IS THE FIRST ASIAN COMPANY TO FULLY OWN A EUROPEAN AIRPORT

Malaysia Airports Holdings Berhad (MAHB) has expanded its operations abroad by managing and acquiring stakes in international airports, including the Indira Gandhi International Airport (IGIA) and Rajiv Gandhi International Airport (RGIA) in India, and an initial stake in Istanbul Sabiha Gokcen International Airport (ISG) in Turkey. With the acquisition of the remaining 40% stake in ISG in 2014, MAHB became the **first Asian company to fully own a European airport.** ISG has been the fastest growing airport in Europe in terms of passenger numbers, since opening its new terminal in November 2009. ISG has also won awards for being the Best Airport in Europe from the World Low Cost Airlines Congress in 2010 and "Airport of the Year"[1] at the 12th Center of Asia Pacific Aviation (CAPA) Awards for Excellence in 2014.

MAYBANK IS THE FOURTH LARGEST BANKING GROUP BY ASSETS IN ASEAN

Maybank is the largest financial services group in Malaysia and now operates across all ten ASEAN nations, as well as key Asian countries and global financial centres. With a network of 2,400 offices and a history that spans 54 years, Maybank is now the **fourth largest banking group by assets in ASEAN.** Maybank leverages a diversified workforce comprising 30 nationalities to excel in a liberalised ASEAN market.

In 2008, Maybank established its Islamic Banking subsidiary, Maybank Islamic Berhad and in 2013, launched Maybank Islamic Asset Management at the World Islamic Economic Forum in London. Today, Maybank Islamic is the **third largest Islamic bank in the world** with assets of USD38.7 billion and is also the leading Islamic bank in Malaysia with a 29.3% market share of Islamic assets in the country.

SIME DARBY LEADS THE PRODUCTION OF CERTIFIED SUSTAINABLE PALM OIL

After the landmark merger between Sime Darby, Golden Hope Plantations and Kumpulan Guthrie, Sime Darby became the **world's largest listed palm oil player**, with a land bank of 560,000 ha in 2007 which has grown to 860,454 ha in 2014. Today, Sime Darby is a **leader in the production of certified sustainable palm oil** with 93% of its annual crude palm oil and 94% of its annual palm kernel production certified as sustainable.

Sime Darby also plays a leading role in the development and promotion of sustainable practices as one of the founding members of the Roundtable on Sustainable Palm Oil (RSPO) – a global, multi-stakeholder initiative on sustainable palm oil.

In addition, in 2014, Sime Darby's industrial division regained its leadership position for Caterpillar products in Malaysia and Singapore and is now the largest Caterpillar Marine dealer in China, making Sime Darby one of the **largest Caterpillar dealers in the world.**

[1] The award was won for the 15-25 million passenger capacity category
Source: G20 submission to PCG Secretariat, G20 annual reports, PCG Secretariat analysis

1. MAHB's first fully-owned European airport, Istanbul Sabiha Gokcen International Airport, Instanbul, Turkey
2. A plantation worker operating a mechanised plant grabber to extract fresh fruit bunches in Sime Darby's plantation
3. YAB Prime Minister Dato' Sri Mohd Najib Tun Hj. Abdul Razak with representatives from Maybank at the launch of Maybank Islamic Asset Management during the World Islamic Economic Forum in London in 2010
4. Mount Elizabeth Novena Hospital, the 333-bed flagship hospital of Parkway Pantai Ltd owned by IHH in Singapore


3


4

C. Role 3: Pursue investments in new industries and sectors in line with NEM

GLICs and GLCs have led the way in investing in new, knowledge-based and service-oriented industries and sectors, which are transformative and catalytic in nature. These are aimed at moving the nation further up the economic value chain.

These sectors include, amongst others, education, healthcare, pharmaceuticals, technology, creative media, leisure and tourism, sustainable development, life sciences and wellness. In resource-based industries, a focus on innovation and high-value activities has been emphasised. This section highlights key contributions of GLICs and GLCs in supporting new industries and sectors that are among the Nation's priorities (see Exhibit 3.1.6).

The wonder of the world economy is that there are always new frontiers cropping up. New ideas create opportunities for business and GLCs should lead the way in investing in these areas.

Tan Sri Dato' Mohd Sheriff Mohd Kassim
Non-Executive Director and Chairman,
PLUS (UEM Group Berhad)

EXHIBIT 3.1.6: PURSUE INVESTMENTS IN NEW INDUSTRIES AND SECTORS IN LINE WITH NEM – SELECTED GLIC AND GLC ACTIVITY FROM 2004 – 2014

EDUCATION

Sime Darby
- Pagoh Education Hub; Malaysia's first multi-varsity development
- Serenia City; a greenfield development, aims to be Malaysia's first international centre of excellence for knowledge supported by a destination commercial township concept

KHAZANAH NASIONAL
- Educity Iskandar Malaysia; a fully integrated education hub located within Nusajaya

Boustead Holdings Berhad
- University of Nottingham, Malaysia campus

AFFIN HOLDINGS
- Provided financing for the establishment of private institutions of higher learning

MBSB
- Provided financing for development of university campuses

HEALTHCARE & PHARMACEUTICALS

ccm
- Award winning leader in Halal pharmaceuticals

LTH
- Strategic investment in Columbia Asia which has hospitals in Malaysia, Indonesia, Vietnam and India

KHAZANAH NASIONAL
- IHH Healthcare – largest healthcare network outside of the US consisting of 39 hospitals with more than 7,000 licensed beds

Boustead Holdings Berhad
- Pharmaniaga joint venture (JV) with Saudi Arabian pharmaceutical company to construct and manage a pharmaceutical manufacturing plant in Riyadh

Sime Darby
- Expanded its foray in healthcare via a JV with Ramsay Health Care which marks its first expansion in healthcare outside of Malaysia

INNOVATION, TECHNOLOGY & CREATIVE MEDIA

axiata
- Launched Axiata Digital Services to support the digital lifestyle of consumers
- Set up edotco, one of the largest tower infrastructure companies globally

KHAZANAH NASIONAL
- Pinewood Iskandar Malaysia Studios; an integrated media production studio facility

TM

Launched:
- UniFi and HyppTV; TM's triple play offering of voice, internet and video services on HSBB
- My1ContentPortal; a digital marketplace
- Online Value-Added Services (OVAS)
- Digital e-directory of Yellow Pages

LEISURE & TOURISM

MALAYSIA AIRPORTS
- Joint venture with Mitsui-Fudosan to open the largest modern retail outlet shopping centre in South East Asia
- Expanded involvement in hotel business with Sama Sama Hotel
- Gateway integrated complex @klia2

Boustead Holdings Berhad
- Enhancements to Curve and eCurve shopping centres
- Expansion of the Royale brand of hotels with Royale Resort and Spa Cherating in development

KHAZANAH NASIONAL
- Develops, owns and operates a portfolio of theme parks comprising of LEGOLAND Malaysia, KidZania Kuala Lumpur and Puteri Harbour Family Theme Park in Nusajaya

PNB Permodalan Nasional Berhad
- Promoting Shariah compliant hospitality business through Hotel Perdana Kota Bharu, PNB Darby Park and PNB ILHAM Resort.

SUSTAINABLE DEVELOPMENT

MRCB
- Platinum Sentral - KL Sentral's CBD first Green Office Campus

UEM
- Adopted Integrated Alternative Fuel Combustion System using Tyres and Biomass Waste
- UEM Sunrise builds affordable homes in Iskandar Malaysia

Sime Darby
- Transit-oriented developments to improve urban public transport

PNB Permodalan Nasional Berhad
- Promoting Green Building development through Warisan Merdeka Project

AGRICULTURE & PALM OIL

TH PLANTATIONS BERHAD
- Investment in new technology tools in plantation operations

Sime Darby
- Co-leading Malaysia's bio-mass initiative with FELDA (AIM, MIGHT) to examine new economic opportunities from bio-mass.

MBSB
- Provided financing for oil palm plantation

OTHER INDUSTRIES AND SECTORS

Boustead Holdings Berhad
- Maintenance, repair and operations centre agreement with Eurocopter and the appointment of BHIC AeroServices Sdn Bhd (BHICAS) as the Approved MRO Centre of Eurocopter

TENAGA NASIONAL
- Strategic acquisition of Integrax

Source: G20 submission to PCG Secretariat, PCG Secretariat analysis

EXHIBIT 3.1.6: PURSUE INVESTMENTS IN NEW INDUSTRIES AND SECTORS IN LINE WITH NEM – SELECTED GLIC AND GLC ACTIVITY FROM 2004 – 2014 (CONT'D)

EDUCATION

Pagoh Education Hub

In line with the nation's aspirations to become a regional destination of choice for higher education, Pagoh Education Hub, Malaysia's first multi-varsity development, was conceived by Sime Darby Property.

This investment also served as a platform for a public-private collaboration between Sime Darby Property, the Ministry of Education and the Malaysian Investment Development Authority (MIDA) to form special purpose vehicles (SPVs) for investment missions to attract some of the best international education institutions to Malaysia.

Phase One of the RM1 billion Pagoh Higher Education Hub (PHEH) in northern Johor is expected to be completed in 2015, creating over 25,000 job opportunities.

HEALTHCARE & PHARMACEUTICALS

Award winning leader in Halal pharmaceuticals

CCM's involvement in the Halal industry began when it became the first company to obtain Halal certification for its range of health supplements and chemical products in 1999 and 2004 respectively.

It is also a trailblazer in setting industry standards, having its own Halal committee and acting as the main industry player in the working group which developed the world's first Halal Pharmaceutical Standard MS2424: 2012 Halal Pharmaceuticals General Guidelines.

CCM continues to invest in Halal pharmaceuticals to strengthen its leadership role in the industry in line with Malaysia's aspiration to be the global Halal hub. It was the first company to obtain Halal Malaysia certification based on the world's first Halal Pharmaceutical standard, MS2424:2012.

CCM has received numerous awards from the global Halal industry in recognition of its leadership and contributions, the latest being the sole recipient of the Halal Excellence Award at the World Halal Conference 2015.

INNOVATION, TECHNOLOGY & CREATIVE MEDIA

UniFi & HyppTV

UniFi is TM's triple-play offering of voice, internet and video services riding on the new High-speed Broadband (HSBB) network. With the introduction of UniFi, TM is providing additional value to its customers via its IPTV offering, HyppTV. HyppTV is a unique pay TV offering with exciting premium channels, Video-On-Demand and interactive services. The availability of movies and TV series on-demand means viewers are no longer confined to a TV schedule, but can watch TV programmes of their choice at their convenience.

HyppTV was launched on 22 March 2010 with 20 channels and 200 hours of on-demand movies and TV series. From this modest line-up, it has quickly grown with the addition of more premium channels and video on-demand content. Currently, there are 50 channels, 14 Interactive channels (including YouTube™ and Facebook™), and over 1,000 hours of Video-on-Demand.

LEISURE & TOURISM

Expansion of Royale chain of hotels and portfolio of hotel properties

The year 2014 saw The Royale Bintang Penang open its doors for business. Strategically located in the heart of historic Georgetown's financial district, the new hotel is part of a larger expansion plan to catalyse the tourism sector in tourist hotspots across Malaysia with the construction of the Royale Cherating Resort & Spa in progress and Royale Bintang The Curve having completed recent renovation works.

The Royale chain of hotels offers a unique value proposition to its patrons with the five-star Royale Chulan Damansara being the only hotel in Malaysia to feature an ice-skating rink and The Royale Chulan Kuala Lumpur attracting prestigious international conferences and events including the Seventh World Summit on Media for Children and the Society of the Golden Keys Malaysia's 5-day 61st UICH Les Clefs d'Or International Congress.

1


2


3


4


5


1. The Royale Bintang Penang; a unit of Boustead, strategically located in the heart of historic George Town's financial district
2. An artistic rendition of UEM Sunrise affordable housing in Gerbang Nusajaya
3. Launch of Sime Darby's Pagoh Education Hub, the first education-themed development in Malaysia, by former Deputy Prime Minister Tan Sri Dato' Hj. Muhyiddin Yassin
4. (From left) YB Dato' Sri Mustapa bin Mohamed, Minister of International Trade and Industry and YBhg Dato' Seri Jamil bin Bidin, CEO of Halal Industry Development Corporation presents the Halal Excellence Award 2015 to Leonard Ariff Abdul Shatar, Group Managing Director of CCM
5. Aerial view of THP's Plantation utilising precision based agriculture that brings together information technology and agricultural science

D. Role 4: Collaborate and co-invest with the private sector

Collaboration and co-investment between GLCs and the private sector is essential to support Malaysia's growth in its journey to become a high-income nation.

This collaboration enables both parties to leverage each other's strengths and therefore allows the country to grow faster than if companies were to individually strive on their own. Collaboration will also strengthen the domestic industry and leverage economies of scale. It creates more opportunities for the private sector to participate and contribute whilst enabling GLCs to tap into the entrepreneurial skills and efficient supply chains of the private sector.

GLICs and GLCs have taken the lead in pursuing collaborations with the private sector to embark on projects domestically and internationally (see Exhibit 3.1.7).

'Upholding and pursuing NEM aspirations are the responsibility of all Malaysians and all Malaysian companies – GLCs and private sector alike. A level playing field means that GLCs carry the responsibility of nation building hand-in-hand with the private sector through collaboration and co-investment. A level playing field is established when there is no demarcation between GLCs and non-GLCs.

Datuk Shahril Ridza Ridzuan
CEO, Employees Provident Fund

EXHIBIT 3.1.7: COLLABORATE AND CO-INVEST WITH PRIVATE SECTOR: SELECTED GLIC AND GLC TRANSACTIONS & ACTIVITIES FROM 2004 - 2014

AFFIN HOLDINGS	• Transformational synergy between Affin and Hwang DBS • Business collaboration with Daiwa Securities to open up opportunities in regional markets • Strategic partnership with The Bank of East Asia to roll out Islamic banking in China
axiata	• Collaboration with Malaysia Venture Capital Management Berhad (MAVCAP) to set up Malaysia's largest digital corporate venture fund • Network infrastructure sharing with DiGi • Industry collaboration with Maxis and DiGi to enable better mobile service in underserved areas • Teaming agreement with Broadcast Australia for RM2 billion digital terrestrial television broadcasting (DTTB) project bid
BIMB HOLDINGS BERHAD	• Collaboration with Malaysian Technology Development Corporation (MTDC) to fund technology based companies • Collaboration with UTS Marketing Solutions to provide third party products • Collaboration with Tabung Ekonomi Usaha Niaga (TEKUN) on conversion to shariah compliant products • Memorandum of Understanding (MoU) with Kolej Universiti Islam Ihsaniah to raise cash Waqf
Boustead Holdings Berhad	• JV with Ikano Pte Ltd to jointly develop and manage two IKEA franchises and a shopping centre in Jalan Cochrane, Kuala Lumpur • JV with Kuala Lumpur Kepong Berhad to improve productivity and efficiency in estates • JV with DCNS S.A. for collaboration in industrial and engineering activities
ccm	• Agreement with PanGen Biotech Inc. of South Korea to pioneer the development of biosimilars for kidney failure treatments in Malaysia • Agreement with Biocon Ltd. India to market, sell and distribute a range of human insulin products in Malaysia and Brunei
CIMB	• Strategic collaboration with Tune Money involving joint branding/marketing and product bundling

EXHIBIT 3.1.7: COLLABORATE AND CO-INVEST WITH PRIVATE SECTOR: SELECTED GLIC AND GLC TRANSACTIONS & ACTIVITIES FROM 2004 - 2014 (CONT'D)

	• Collaborations between PERHEBAT and Perwira Niaga Malaysia (PERNAMA) with the BERJAYA Corporation Berhad, Hot & Roll Holdings Sdn Bhd and Boustead Holdings Berhad to conduct skills and entrepreneurship programmes
TABUNG HAJI	• Al-Ansar Bumiputera Entrepreneur Fund to support entrepreneurship in the private sector • JV with TH Alam – TH Heavy Engineering Berhad to provide marine support services • JV with Amanah Raya Berhad to jointly acquire properties for investment purposes
MALAYSIA AIRPORTS	• JV with Mitsui Fudosan to develop Mitsui Outlet Park KLIA • JV with WCT Holdings Berhad to develop Gateway@klia2 integrated complex
KHAZANAH NASIONAL	• Multi-party collaboration in the development of Medini, positioned as the new central business district of Iskandar Malaysia • JV with Shangri-La Hotels to develop Teluk Datai, Langkawi
malaysia airlines	• Member of oneworld, a multiple award-winning airline alliance of 15 of the world's leading airlines
Maybank	• Strategic partnership with POS Malaysia to provide Maybank services at POS Malaysia outlets • Collaboration with DNeX to launch myTrade2Cash trade financing online platform
MRCB	• Management driven by private sector through merger with Gapurna Group • JV with CMY Capital Sdn Bhd and Jitra Perkasa Sdn Bhd to acquire and develop St Regis Hotel development • Collaboration between MRCB and Ekovest in the KL city beautification project
Sime Darby	• Battersea Power Station redevelopment project as a sustainable mixed development comprising residential and commercial units
Sime Darby	• JV with Tunas Selatan for the development of Pagoh Education Hub • JV with Sunsuria to develop Xiamen University Malaysia campus • JV with CapitaMalls Asia to develop Melawati Mall
TH PLANTATIONS BERHAD	• Strategic partnership with CCM Fertilisers to ensure long-term security of fertiliser supply
TM	• Collaboration with industry players to provide open access High-speed Broadband network to the industry • Partnership with Green Packet and SK Telecom to deliver next generation converged communications services • Smart partnerships with property developers to have in-built HSBB and increase broadband connectivity in properties • Partnership with Nusajaya Tech Park to develop purpose-built data centre
KHAZANAH NASIONAL TENAGA NASIONAL	• Collaboration with Khazanah and Malakoff to develop Shuaibah Independent Water and Power Project in Saudi Arabia
UEM UEM SUNRISE A member of UEM Group	• JV with Ascendas Land to develop an integrated industrial park with eco-friendly infrastructure • JV with Fastrack Autosports Pte Ltd to form Fastrack Iskandar • JV with Kuala Lumpur Kepong Group to jointly develop 500 acres of land in Gerbang Nusajaya and 2,500 acres of land in Fraser's Estate, Kulai • Merger of UEM Land Holdings Berhad (ULHB) and Sunrise Berhad (Sunrise) to build upon strengths of ULHB as a township developer and Sunrise in luxury condominiums

EXHIBIT 3.1.7: COLLABORATE AND CO-INVEST WITH PRIVATE SECTOR: SELECTED GLIC AND GLC ACTIVITIES FROM 2004 - 2014 (CONT'D)

Shuaibah Independent Water and Power Project

Shuaibah Independent Water & Power Project (IWPP) is the first IWPP in the Kingdom of Saudi Arabia. The ownership structure of IWPP comprises private and quasi-government investors from Saudi Arabia and the Malaysian JV between TNB, Malakoff and Khazanah.

The project represents a major development in Saudi Arabia's water and power sector to meet the increasing national demand for power and water in the kingdom. Shuaibah IWPP is currently the largest desalination plant in the world, with water production capacity of 1,030,000 m^3/day. Shuaibah IWPP plays a critical role during the holy month of Ramadhan and the Hajj period in ensuring continuous and reliable power and water supply to the Holy City of Makkah and the Makkah Mukarramah Region.

The JV between the Malaysian entities reflects the potential for formidable partnerships to be formed in venturing abroad through the sharing of costs, risks, resources and expertise.

KHAZANAH NASIONAL TENAGA NASIONAL MALAKOFF

EXHIBIT 3.1.7: COLLABORATE AND CO-INVEST WITH PRIVATE SECTOR: SELECTED GLIC AND GLC ACTIVITIES FROM 2004 - 2014 (CONT'D)

Joint venture with Mitsui Fudosan to develop Mitsui Outlet Park KLIA

MAHB, via its wholly-owned subsidiary MA Sepang, signed an agreement with Mitsui Fudosan Ltd to construct and operate the largest modern outlet shopping centre in South East Asia. It is located a stone's throw from Kuala Lumpur International Airport (KLIA) terminal and opened its doors in 2015.

This is in line with plans to turn KLIA into a destination in its own right. In 2013, KLIA served 47 million passengers, making it the world's 20th busiest airport globally.

As the landlord to the JV company, MAHB will have net positive earnings from rental and other payments from outlet opening. Subsequently, the JV is expected to contribute positively after the first few years. The venture leverages upon Mitsui Fudosan's expertise cultivated over 20 years of developing outlet businesses in Japan.

MALAYSIA AIRPORTS MITSUI & CO., LTD.

EXHIBIT 3.1.7: COLLABORATE AND CO-INVEST WITH PRIVATE SECTOR: SELECTED GLIC AND GLC ACTIVITIES FROM 2004 - 2014 (CONT'D)

Battersea - a Malaysian partnership to shape the future of London

In 2012, a Malaysian consortium comprising Sime Darby Berhad, SP Setia Berhad and the Employees Provident Fund (EPF) acquired London's iconic Battersea Power Station for GBP400 million. The redevelopment plan includes a sustainable mixed development comprising residential and commercial units, and the conservation and preservation of the power plant. The gross development value (GDV) of the 15-year project is expected to be approximately GBP8 billion. The launch of phase one and two of the properties have shown promise with strong numbers recorded (75% and 95% respectively for each phase) for properties reserved in the first week of sales. Winning the project bid against at least 15 international bidders, the project is a culmination of the collaborative effort between then private sector player (SP Setia), a GLC (Sime Darby) and a GLIC (EPF).

Sime Darby

Setia
SP SETIA BHD GROUP

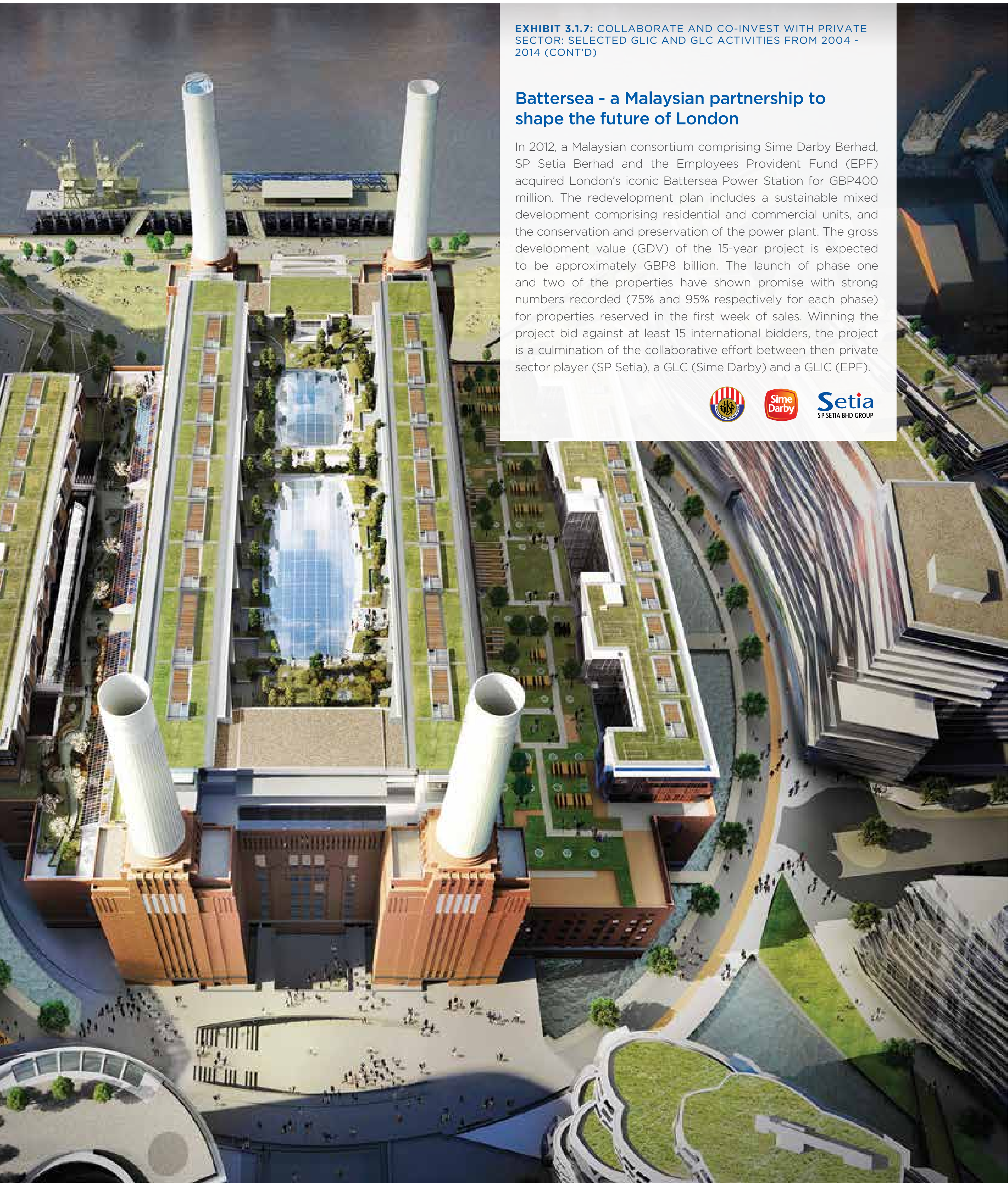


EXHIBIT 3.1.7: COLLABORATE & CO-INVEST WITH PRIVATE SECTOR: SELECTED GLIC AND GLC ACTIVITY FROM 2004 - 2014 (CONT'D)

AFFIN HWANG CAPITAL

Transformational synergy of Affin & Hwang DBS

Affin Investment embarked on a transformational merger with Hwang DBS Investment to establish leadership positions in Malaysia across its investment banking franchise, and drive its strategic plan to become the leading independent bank-backed investment bank. The merger strengthens the investment bank's end-to-end value proposition as it will be able to capitalise on synergies created by the enlarged platform of the merged businesses, enhanced distribution through the broader remisier network, leading asset management business and wider customer reach.

The acquisition has created a stronghold for Affin in the investment banking space – the combined entity has become the second largest brokerage house in Malaysia (based on combined traded value and traded volume) with about 770 remisiers and 25 branches, as well as the top five asset managers in Malaysia (based on assets under management).

MRCB GAPURNA GROUP

MRCB-Gapurna Merger

MRCB's acquisition of equity interests in Gapurna Group Sdn Bhd (Gapurna) subsidiaries enables synergy among the two companies; MRCB with its long standing track record in the construction industry and Gapurna with its land bank reserves and technical expertise. The merger effectively gave a private sector entrepreneur management control of a GLC with GLIC board oversight, recognising the need for GLCs to embrace entrepreneurial flair and spirit through collaborations with the private sector. The merger reduced gearing of the company through asset monetisation and improved revenue contribution from the property development sector. MRCB has also seen positive growth in the engineering, construction and environment sector.

Since the merger, more property projects have came into fruition such as 9 Seputeh, The Grid at Jalan Kia Peng, Putrajaya office complex, Kajang 3 Residences, Penang Sentral Development and PJ Sentral Development, amongst others. MRCB has also seen improved financial performance with FY2014 revenue being the highest revenue recorded over the past five years and the 2.5% dividends paid in 2014, the highest dividend payment over the same period.

TABUNG HAJI

Lembaga Tabung Haji Al-Ansar Bumiputera Entrepreneur Fund

Lembaga Tabung Haji launched the RM200 million Al-Ansar Bumiputera Entrepreneur Fund to help Bumiputera businessmen obtain funds for business. The fund is the first Restricted Investment Account (RIA) in Malaysia and offers credit ranging from RM50,000 to RM1 million through Bank Islam for a period of five years. The fund is sourced from LTH's investment earnings and is a sign of LTH's commitment to supporting entrepreneurship in the private sector.

Lembaga Tabung Angkatan Tentera Entrepreneurship Programmes

Through its wholly-owned Armed Forces Ex-Servicemen Affairs Corporation (PERHEBAT), LTAT collaborates with a number of private sector entities to conduct skills and entrepreneurship programmes to enable retiring and retired armed forces personnel to take up a second career after retirement from the armed forces.

Collaborations between PERHEBAT and Perwira Niaga Malaysia (PERNAMA) with the BERJAYA Corporation Berhad, Hot & Roll Holdings Sdn Bhd and Boustead Holdings Berhad has created 47 7-Eleven franchise entrepreneurs, four Hot & Roll franchise entrepreneurs, and four BHP petrol station entrepreneurs comprising retired armed forces personnel.

1

2

3

1. (From left) Dato' Zulkiflee Abbas bin Abdul Hamid, Tan Sri Dato' Seri Lodin bin Wok Kamaruddin, Gen (R) Tan Sri Yaacob Zain and Maimoonah Hussain at the signing ceremony of the transformational merger of Affin and Hwang DBS in April 2014
2. Former CFO of MRCB, the late Chong Chin Ann and Tan Sri Mohammad Salim Fateh Din at the signing ceremony for the merger between MRCB and Gapurna
3. YAB Dato' Sri Mohd Najib Tun Hj. Abdul Razak launches LTH's Al-Ansar Bumiputera Fund worth RM200 million

E. Role 5: Continue to focus on core operations on a level playing field and exit non-core and non-competitive assets

A focus on core operations and competitive areas of the business is important for high-performance and capability building in GLCs. Meanwhile GLICs and GLCs have continued to exit non-core and non-competitive businesses and free these resources to be optimised by the private sector, creating a more conducive eco-system for entrepreneurship and innovation.

GLCs have disposed of non-core and non-competitive assets in a robust and transparent manner, and on a merit basis.

GLICs and GLCs have embarked upon a number of divestment exercises between 2004-2014 (see Exhibit 3.1.8).

EXHIBIT 3.1.8: CONTINUE TO FOCUS ON CORE OPERATIONS ON A LEVEL PLAYING FIELD AND EXIT NON-CORE AND NON-COMPETITIVE ASSETS: SELECTED DIVESTMENTS MADE BY GLICs AND GLCs FROM 2004 - 2014

axiata	• Exited operations in Iran • Disposed of stake in a device selling and marketing company in Thailand
BIMB HOLDINGS BERHAD	• Ceased operations of BIMB Foreign Currency Clearing Agency Sdn Bhd (BIFCA)
Boustead Holdings Berhad	Divested: • BH Insurance • PSC Tema Shipyard Ltd • Rich Monde Sdn Bhd • Boustead Oil Bulking
ccm	• Closure of Polyurethanes Operations in Chemicals Division
CIMB	• Phased divestment of insurance services across ASEAN; including CIMB Aviva (Malaysia), Milea Life Insurance (Thailand) and PT Ansuransi Cigna (Indonesia)
KHAZANAH NASIONAL	Divested: • PROTON • Pos Malaysia • TIMEdotcom • Westport
MALAYSIA AIRPORTS	Divested: • National Exhibition and Convention Centre (NECC) • Sepang International Circuit • Operations of its automotive vehicle workshop • Management and operations of an auction centre
malaysia airlines	Divested: • Abacus Distribution Systems (Malaysia) Sdn Bhd • MAS Golden Boutiques Sdn Bhd • MAS GMR Aerospace Engineering Pte Ltd
MRCB	• Disposal of Duta-Ulu Klang Expressway (DUKE) • Divested stake in Nu Sentral • Monetisation exercise of non-core assets
PNB Permodalan Nasional Berhad	Divested: • HeiTech Padu Berhad • Titan Chemicals Corp
Sime Darby	• Rationalisation by divestment of power business • Exited Oil & Gas business by disposing of its oil and gas fabrication yards in Pasir Gudang and Teluk Ramunia, Johor
TH PLANTATIONS BERHAD	• Disposal of plantation estate in Terengganu
TM	Divested: • Resorts on TM's land in Port Dickson and Langkawi
UEM	Divested: • Gapima • Pharmaniaga
UMW	Divested: • U-Insurance • Interest in Cladtek Group (Australia)

The country should set the economic priorities needed to meet Vision 2020. In delivering these priorities, GLICs and GLCs will inevitably have to focus on core and strategic sectors to collectively grow the economy. Malaysia is a small domestic economy - we cannot be everywhere and should focus on our strengths.

Dato' Zainal Azwar bin Zainal Aminuddin
CEO, TH Plantations Berhad

EXHIBIT 3.1.8: CONTINUE TO FOCUS ON CORE OPERATIONS ON A LEVEL PLAYING FIELD AND EXIT NON-CORE AND NON-COMPETITIVE ASSETS: SELECTED DIVESTMENTS MADE BY GLICs AND GLCs FROM 2004 - 2014 (CONT'D)

KHAZANAH NASIONAL

POS MALAYSIA

Khazanah's Strategic Divestment of Pos Malaysia

Deemed a landmark divestment as it was the first time Khazanah had divested its entire sta ke in a major GLC, the announced sale of a 32.31% stake in Pos Malaysia Berhad (POS) to DRB-HICOM Berhad was the result of a rigorous selection process to ensure that the new shareholder would be able to bring POS to the next level of growth.

DRB-HICOM was chosen based on their overall bid, which offered not only a defined strategy but also an executable business plan and an acceptable offer price. Their proposed strategy and business plan in turn will provide an effective platform for POS's growth.

KHAZANAH NASIONAL

PROTON

Khazanah's Strategic Divestment of PROTON

In its largest divestment exercise to date, Khazanah divested its 42.74% stake in Proton Holdings Berhad (PROTON) to DRB-HICOM Berhad. This decision was made following careful deliberation and detailed evaluation of various proposals to ensure that due process was observed, proper financial value was received and that the new shareholder would be able to bring PROTON to the next level of strategic growth, in line with the industrial development aspirations of the national automotive sector. The divestment was made via conditional sale for a sum of RM1.29 billion.

KHAZANAH NASIONAL

TIME

Khazanah's Strategic Divestment of TIME dotCom

TIME dotCom (TdC) was set up in 1996 and listed on Bursa Malaysia in March 2012. Since its listing, TdC recorded poor financial and operational performance. In 2008, Khazanah led a closed tender process to identify a suitable partner to turnaround the business of TdC. Global Transit International (GTI), a company majority-owned by Afzal Rahim (current CEO of TdC) was selected as partner to lead the turnaround of TdC. By 2011, Afzal had met EBITDA targets, as stipulated by the earn-out structure, and this enabled him to increase his stake in the company from 38% to 70%. TdC is currently the second largest and fastest growing fixed-line telecommunications network and solutions provider in Malaysia with business reach across Asia Pacific. Share price as of 27/7/2015 is RM6.95, as compared to RM0.32 when Afzal Rahim took over as CEO.

The new (back) and old (front) Boustead building on Jalan Raja Chulan, Kuala Lumpur

Tenaga Nasional Berhad headquarters situated on Jalan Bangsar, Taman Bukit Pantai

3.2 Supporting National Transformation Programmes and other National Priorities

As Malaysia progresses towards becoming a developed nation by 2020, the Government has embarked upon a number of national priorities to ensure that the country is on track to meet its aspirations of becoming a high-income, inclusive and sustainable nation.

GLICs and GLCs are playing a significant role in supporting National Transformation Programmes such as the GTP and ETP.

Furthermore, GLICs and GLCs are major contributors to other national priorities such as:

- development of economic corridors
- delivering major infrastructure projects
- supporting Malaysia's aspirations to become a global Islamic finance hub
- inclusivity through diversity and the Bumiputera Empowerment Agenda
- sustainability initiatives

Transformation is holistic. Economic and government transformations must go hand-in-hand and complement each other - there can't be one without the other. This is the virtuous cycle that we are trying to achieve.

Dato' Sri Idris Jala
Minister in the Prime Minister's Department and
CEO, Performance Management and Delivery Unit (PEMANDU)
Former CEO of Malaysian Airline System Berhad

A. Supporting National Transformation Programmes

Government Transformation Programme

The GTP was among the first national initiatives launched by YAB Dato' Sri Mohd Najib Tun Razak when he took office in 2009.

The GTP is a broad-based programme of change primarily focused on ensuring greater transparency and efficiency in public service delivery. As such it also represents a fundamental commitment to transform the government into an efficient and *rakyat*-centred institution and that each and every Malaysian is accorded good quality of life.

Based on extensive consultation and evaluation of the most important needs of the *rakyat*, seven National Key Result Areas (NKRAs) were identified, as follows:

1. Improving rural development
2. Improving urban public transport
3. Raising living standards of low-income households
4. Assuring quality education
5. Reducing crime
6. Fighting corruption
7. Addressing the rising cost of living

In line with this, GLCs have been actively supporting the GTP NKRAs since inception through a number of projects and various initiatives (see Exhibit 3.2.1).

EXHIBIT 3.2.1: G20 SUPPORT FOR THE GOVERNMENT TRANSFORMATION PROGRAMME – SELECTED EXAMPLES OF PROJECTS AND RELATED INITIATIVES

Boustead Holdings Berhad
MBSB
Sime Darby
TM
TENAGA NASIONAL

1. Improving rural development

- Increasing access to electricity through the rural electrification programme
- Repairing dilapidated houses and converting them into comfortable homes that are supplied with the basic amenities (e.g. via initiatives such as "Baiti Jannati" & "Mesra Rakyat")
- Financing of upgrading of water treatment plants
- Enabling internet access in rural areas (e.g. via community broadband centres, community broadband libraries and "TMpoint on Wheels" mobile units)
- Providing amenities, especially in plantation vicinities
- Improving road infrastructure, including upgrading of roads to probase roads (roads with soil base stabilisers) and all-weather roads
- Providing central housing complexes; a housing initiative based on a better community-living model, in Tennamaram (Selangor), Sg Dingin (Kedah/North Perak), CEP Renggam (Johor), Sentosa (Sabah)
- Upgrading of water tank and facilities, providing gravity-fed water delivery system for the Bidayuh community
- Flood relief funding for rebuilding of bridges and other works

EXHIBIT 3.2.1: G20 SUPPORT FOR THE GOVERNMENT TRANSFORMATION PROGRAMME – SELECTED EXAMPLES OF PROJECTS AND RELATED INITIATIVES (CONT'D)

CIMB, Sime Darby

2. Improving urban public transport

- Integrating Touch 'n Go ticketing system for Light RailTransit (LRT) and RapidKL buses
- Enhancing public transport system via township planning and design through transit-oriented developments in Subang Jaya

axiata, Boustead Holdings Berhad, malaysia airlines, Maybank, Sime Darby, TH PLANTATIONS BERHAD, TM, TENAGA NASIONAL, UEM

3. Raising living standards of low-income households

- Providing affordable internet packages
- Increasing computer penetration in non-urban areas (e.g. via initiatives such as "Komputer 1Malaysia")
- Providing affordable voice and mobile broadband services
- Reducing the cost of electricity (e.g. via initiatives such as lower electricity tariff scheme)
- Providing micro financing for individuals with poor access to credit and mainstream financial services
- Providing food subsidy for plantation workers
- Providing supply of vitamins at selected schools
- Upgrading workers' accommodation
- Providing employee housing (e.g. via initiatives such as employee residence scheme)
- Providing community IT centres for the blind
- Introducing preventable blindness programmes, health programmes for communities, kidney care outreach programme
- Introducing mobility initiatives for disabled patients to seek medical treatment

AFFIN HOLDINGS, ccm, CIMB, Maybank, MBSB, Sime Darby, TM, UEM

4. Assuring quality education

- Providing education funding programmes for employees
- Providing scholarships for talented students to pursue tertiary education (e.g. via initiatives such as "1Malaysia Education Fund Programme")
- Supporting the PINTAR Foundation Programme
- Increasing financial literacy among children and youth (e.g. via initiatives such as "Cashville Kidz"; an international award winning financial literacy initiative)
- Capacity building and improving English in rural schools through ICT and other programmes
- Providing state-wide English workshops for UPSR students (Johor, Kelantan, Melaka, Perlis, Sabah and Labuan)
- Providing online English courses for adults
- Embarking upon strategic public and private partnerships through selected schools and higher education institutions
- Providing shared tertiary education facilities such as library, auditorium and common facilities aimed at fostering exchange and sharing of knowledge

EXHIBIT 3.2.1: G20 SUPPORT FOR THE GOVERNMENT TRANSFORMATION PROGRAMME – SELECTED EXAMPLES OF PROJECTS AND RELATED INITIATIVES (CONT'D)

5. Reducing crime

- Financing quarters and facilities for the Royal Malaysia Police
- Conducting in-house programmes on crime prevention, personal safety and home safety
- Enhancing security at estates
- Providing home security systems packaged with mortgage loan
- Providing integrated security management systems
- Introducing "MSAFE" services, which integrates CCTV in strategic locations with Malaysian Emergency Response Services (MERS 999) to enable real-time visual of incidents reported
- Preventing cable theft through campaigns and enforcement bodies
- Introducing the "Safe Cities" initiative in Ara Damansara, Mutiara Damansara, The Glades (Selangor), Bandar Ainsdale (Negeri Sembilan) and Nusajaya (Johor)

6. Fighting corruption

- Signing the Corporate Integrity Pledge
- Conducting anti-bribery and anti-corruption training
- Implementing whistle blower policies
- Implementing transparent procurement policies
- Conducting awareness talks, anti-fraud procedures, corporate integrity trainings, programme and station audits, code of business conduct compliance for employees
- Employing integrity officers

7. Addressing the rising cost of living

- Increasing the availability of affordable housing (e.g. via initiatives such as affordable housing financing, "Skim Rumah Pertamaku", credit guarantee, affordable housing programmes, proposed development of "Perumahan Generasi Baharu FELDA")
- Providing micro-financing facilities
- Reducing the cost of daily expenses (e.g. via initiatives such as "1Malaysia Privilege Card")
- Providing utilities allowance and schooling assistance
- Increasing salary of plantation workers
- Increasing the basic salary of lower level staff
- Encouraging entrepreneurship by providing business opportunities to employees

Source: G20 submission to PCG Secretariat

Economic Transformation Programme

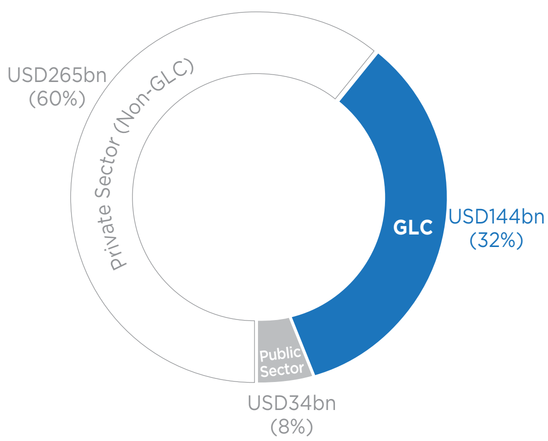
Launched on 25 September 2010, the ETP aims to diversify the nation's economy and accelerate economic growth, in order to elevate the country to developed nation status by 2020, with a GNI of USD15,000 per capita. This will be achieved by securing USD444 billion in investments, which will in turn create 3.3 million jobs by 2020[1].

The ETP has 12 National Key Economic Areas (NKEAs) which identify key economic sectors capable of contributing significantly to the GNI of the country, as follows:

1. Oil, gas and energy
2. Palm oil and rubber
3. Financial services
4. Tourism
5. Business services
6. Electrical and electronics
7. Wholesale and retail
8. Education
9. Healthcare
10. Communications content and infrastructure
11. Agriculture
12. Greater Kuala Lumpur/Klang Valley

GLCs have been proponents of the ETP, with initial commitments made to contribute up to 32% of total funding requirements for the years 2010 – 2020 (Exhibit 3.2.2). In line with this, G20 have been actively supporting the GTP NKRAs since inception through a number of projects and various initiatives (see Exhibit 3.2.3).

EXHIBIT 3.2.2: ETP FUNDING REQUIREMENTS 2010 - 2020



Source: PEMANDU

EXHIBIT 3.2.3: G20 SUPPORTING THE ECONOMIC TRANSFORMATION PROGRAMME - SELECTED PROJECTS AND RELATED INITIATIVES

UEM, UMW	**1. Oil, gas and energy** • Constructing temporary common camp facilities and other infrastructure for Pengerang Integrated Complex • Drilling activities in Berantai field
Sime Darby, TH Plantations Berhad	**2. Palm oil and rubber** • Increasing fresh fruit bunch yield • Increasing oil extraction rate • Replanting oil palm • Increasing smallholder yields
Affin Holdings, BIMB Holdings Berhad, CIMB, Maybank	**3. Financial services** • Embarking upon investments and acquisitions toward greater regional banking expansion and integration • Establishing a research centre for Islamic Banking studies in collaboration with the International Centre for Education in Islamic Finance (INCEIF)
Malaysia Airports, Malaysia Airlines	**4. Tourism** • Developing Mitsui Outlet Park in Sepang that will be among the biggest outlet shopping centres in Southeast Asia • Improving flight network connectivity through membership in oneworld alliance which offers seamless travel to 1,015 destinations in 154 countries

[1] PEMANDU, Economic Transformation Programme Roadmap, 2010

EXHIBIT 3.2.3: G20 SUPPORTING THE ECONOMIC TRANSFORMATION PROGRAMME - SELECTED PROJECTS AND RELATED INITIATIVES (CONT'D)

Boustead Holdings Berhad, TM, UEM	**5. Business services** • Developing sustainable competitive advantage in shipbuilding and ship repair • Applying total asset life cycle cost for key infrastructure assets • Establishing world-class data centres in Klang Valley and Nusajaya
Tenaga Nasional	**6. Electrical and electronics** • Conducting skill development programmes via TNB Integrated Learning Solution (ILSAS) under Perbadanan Tabung Pembangunan Kemahiran (PTPK) fund
Malaysia Airports	**7. Wholesale and retail** • Transforming KLIA and klia2 into a retail hub
Affin Holdings, MBSB, Sime Darby, Tenaga Nasional	**8. Education** • Building education hubs and knowledge-oriented developments (e.g. via developments such as Pagoh Education Hub and Serenia City) • Collaborating with researchers, industries and inventors to increase research capabilities • Financing construction of university campuses and institutions of higher learning
Sime Darby, CCM	**9. Healthcare** • Developing new medical centres in Ara Damansara and Desa Parkcity • Strengthening position in the local and regional markets by focusing on biotherapeutics and niche therapeutics areas • Pioneering the Halal pharmaceutical sector with award-winning leadership
Axiata, TM	**10. Communications, content and infrastructure** • Connecting underserved and rural areas by being the largest Universal Service Provision (USP) sites provider • Promoting internet access in non-urban areas (e.g. via initiatives such as "Komputer 1Malaysia", "WiFi 1Malaysia", "Pusat Internet 1Malaysia" and "Kampung Tanpa Wayar") • Establishing a telepresence exchange • Establishing telematics services platform; a common platform and market place for content and solution providers to connect with vehicle drivers/ owners • Extending the regional network (e.g. via initiatives such as Sistem Kabel Rakyat 1Malaysia to establish a submarine cable system to enhance broadband connectivity)
Sime Darby	**11. Agriculture** • Introducing Malaysia's first fully mechanised paddy farm
MRCB	**12. Greater Kuala Lumpur/Klang Valley** • Beautifying and cleaning Klang River

Source: G20 submissions to PCG Secretariat, PCG Secretariat analysis

Strategic Reform Initiatives

In addition to the 12 NKEAs, a critical component of the ETP is the Strategic Reform Initiative (SRI). On 5 July 2011, six SRIs were introduced with the aim of boosting Malaysia's global competitiveness, as follows:

1. Competition, standards and liberalisation
2. Public finance reform
3. Narrowing disparity
4. Reducing government's role in business
5. Human capital development
6. Public service delivery

Although initiatives under the SRIs are primarily government-led, GLICs and GLCs have supported the SRIs by being part of the SRIs labs and aligning their business practices to relevant policy measures under the relevant SRIs. For example, GLICs and GLCs have been leading the way in implementing minimum retirement age and minimum wage.

Furthermore, under the competition, standards and liberalisation (CSL) SRI, CCM has contributed to the development of the world's first halal pharmaceutical standard (see Exhibit 3.1.6 in Chapter 3 for further details).

In support of the narrowing disparity SRI, Bumiputera agenda was incorporated into GLIC and G20 KPIs and they have since made significant commitments to the Bumiputera Empowerment Agenda (see Exhibit 3.2.19 in Chapter 3 for further details).

The right form, nature and timing of support from the Government is invaluable to move us towards a more professional environment within GLCs. For example, any industry-wide policy needs to embody a robust governing structure as well as a pragmatic approach to ensure there is a consistency in its implementation. Periodic reviews of such policies need to be cognisant of the differing nature, needs and maturity of the respective industry as well as its progress as a whole across time. There are a variety of ways where different levers can be utilised in order to achieve the desired outcome.

Dato' Mohammad Zainal Shaari
Former Chief Operating Officer
Khazanah Nasional Berhad

Other transformation programmes

G20 also supports other national programmes such as the National Digital Economy Initiative (Digital Malaysia), Rural Transformation Centres (RTC) and Urban Transformation Centres (UTC). TNB leads the way by setting up Pusat Khidmat Pelanggan (PKP), i.e. one-stop centres which provide various services for TNB's customers, not only for TNB-related payments and service but also payments for other utility bills. TNB has established PKP at all UTCs in Kuala Lumpur, Melaka, Pahang, Perak and Kedah while TM has also setup its retail outlets (TMpoint) at UTCs in Kuala Lumpur, Melaka, Pahang and Perak.

TM also provides telecommunication connectivity as and when required to RTCs. In support of Digital Malaysia, VADS, a wholly owned subsidiary of TM, works closely with the Multimedia Development Corporation (MDeC) in encouraging SMEs and enterprises to migrate to cloud-based services. TM also contributes collaborative and advisory support, active sharing of expertise and awareness/promotions activities with regards to Digital Malaysia. THP supports the Government's aspirations in advancing the Nation towards a developed digital economy by 2020 by leveraging on the usage of precision based agriculture which incorporates information technology and agricultural science.

Kuala Lumpur International Airport, home to the head office operations of MAHB, is located in Sepang, Selangor

B. Supporting economic corridors, major infrastructure projects and Malaysia as an Islamic finance hub

Contributing to Malaysia's economic corridors

Under the Ninth Malaysia Plan, the Federal Government launched a number of initiatives to promote balanced and inclusive regional development by accelerating growth in designated geographic areas.

These economic corridors were initiated to bridge development imbalances throughout the country and support stronger economic growth across the nation.

The two-year period between 2006 and 2008 saw the launching of five economic corridors

- Northern Corridor Economic Region (NCER)
- East Coast Economic Region (ECER)
- Iskandar Malaysia (IM)
- Sabah Development Corridor (SDC)
- Sarawak Corridor of Renewable Energy (SCORE)

Between 2011 to 2014, these five regional economic corridors attracted a total of RM307.1 billion in committed investments, of which 57% (RM174.5 billion) has been realised, resulting in the creation of 427,100 jobs[1].

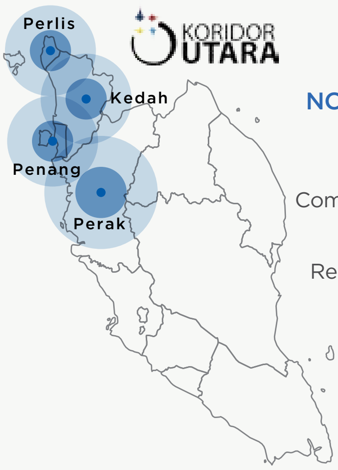
GLICs and GLCs have played key roles as master planners, developers and investors in the region, particularly in the development of Iskandar Malaysia, East Coast, and Northern Economic Corridors.

1 Economic Planning Unit, Eleventh Malaysia Plan, May 2015

Northern Corridor Economic Region

Sime Darby Berhad was the master planner for the development of the NCER which covers Perlis, Kedah, Penang and Perak. The idea for the region was conceived in 2006 and a development plan was subsequently produced and approved by the Government. Subsequently, the NCER was launched in 2007. A total of RM51.7 billion worth of investments was committed between 2011 and 2014, with 100% of the total investment realised as of 2014. Over the same duration, NCER has created 63,500 jobs within the region[1]. Refer to Exhibit 3.2.4 for contributions of GLCs to NCER.

EXHIBIT 3.2.4: SELECTED PROJECTS AND HIGHLIGHTS BY GLCs IN NCER



NCER Performance (2011-2014)

RM51.7bn
Committed Investments

RM51.7bn
Realised Investments

63,500
Jobs Created

MRCB

Penang Sentral

Penang Sentral is a transport hub and integrated urban development occupying a land area of 23 acres, comprising commercial and residential components incorporated with transport terminal and "Park n Ride" facilities. The development features an integrated transportation hub linking rail, ferry and bus services designed to cater to 180,000 commuters daily. While the main development awaits completion, MRCB manages the Penang Sentral Temporary Terminal in Butterworth (PSTT) which provides a link-way to the ferry terminal. Currently, the PSTT has a passenger capacity of about 32,000 daily.

UEM

Sultan Abdul Halim Muadzam Shah Bridge

The Second Penang Bridge was a JV between UEM Builders Sdn Bhd, subsidiary of local conglomerate, UEM Group, and China Harbour Engineering Co Ltd (CHEC). Spanning 24km in length, the bridge is not only the longest bridge in Malaysia, but in South East Asia as well. The Second Penang Bridge was constructed to reduce high vehicle congestion between the mainland and the island and to enhance Penang's position as an integrated logistics and transportation hub under the NCER. In 2014, more than 3.4 million vehicles travelled across the bridge, with an average of 12,500 vehicles on a daily basis. This represents a collection of 90% of the bridge's lower bound income projection.

Sime Darby

Malaysia's first fully mechanised paddy farm

Sime Darby brought innovation to agriculture in the Northern Corridor with the introduction of Malaysia's first fully mechanised paddy farm. Launched in 2009, the mechanised paddy plantations use superior seeds that result in higher yields, thus supporting the Government's efforts to address food security issues.

Sime Darby also created opportunities for farmers to move up the value chain through programmes such as training in farm management, post-harvest management, marketing, and entrepreneurship to develop them as agricultural entrepreneurs.

Other initiatives

Boustead Holdings Berhad

Boustead built and operates a RM100 million hotel under the Royale Bintang banner. The four-star The Royale Bintang Hotel Penang opened its doors for business in 2014. It is nestled in the heart of historic George Town's financial district offers travellers charming 'old world' glamour alongside contemporary luxury and friendly service.

MALAYSIA AIRPORTS

The expansion and upgrading of Penang International Airport was substantially completed in November 2012. With this extension, the terminal footprint was doubled to 54,582 sq. metres thus increasing the terminal building handling capacity to 6.5 million passengers per annum (mppa) from 5 mppa previously.

CIMB **Maybank**

Established regional offices

TM

TM VADS operates a call-centre in Penang

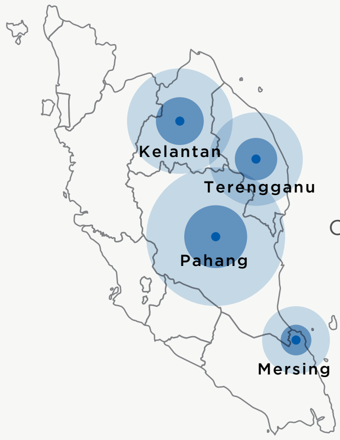
Source: Eleventh Malaysia Plan, G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

1 Economic Planning Unit, Eleventh Malaysia Plan, May 2015

East Coast Economic Region

The ECER was launched in 2007 and covers Kelantan, Terengganu, Pahang and the north of Mersing district in Johor. Between 2011 and 2014, RM22.9 billion worth of investments (of RM55.4 billion committed investments) has been realised with 23,000 jobs created[1]. Refer to Exhibit 3.2.5 for contributions of GLICs and GLCs to ECER.

EXHIBIT 3.2.5: SELECTED PROJECTS AND HIGHLIGHTS BY GLICs AND GLCs IN ECER



EAST COAST ECONOMIC REGION

ECER Performance (2011-2014)

RM55.4bn
Committed Investments

RM22.9bn
Realised Investments

23,000
Jobs Created

Maybank

In partnership with the Government through the East Coast Economic Region Development Council (ECERDC), Maybank provides financial assistance to local entrepreneurs in the ECER under the ECER-Maybank Entrepreneurship Scheme.

ECERDC is allocating RM10 million to subsidise the interest or profit rate charges while Maybank/Maybank Islamic will allocate RM100 million for business financing. This move is expected to benefit 2,000 micro and small-and-medium sized entrepreneurs (SMEs) in Kelantan, Terengganu, Pahang and Mersing by end-2015. The programme has been well-received by customers in the ECER and Maybank is currently working with ECERDC on the second tranche.

Source: Eleventh Malaysia Plan, G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

Beach and rivermouth rehabilitation at Kuala Sungai Pahang, ECER

[1] Economic Planning Unit, Eleventh Malaysia Plan, May 2015

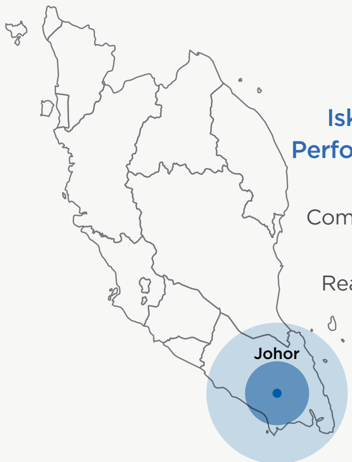
Iskandar Malaysia

In 2005, Khazanah assisted the Government by conducting a feasibility study for the development of a special economic zone in South Johor. This zone was known as Iskandar Development Region (IDR) and South Johor Economic Region (SJER), and later came to be known as Iskandar Malaysia (IM). A special projects team was formed in Khazanah to undertake the task of preparing a comprehensive development plan for Iskandar's development.

The development of the corridor is overseen by the Iskandar Regional Development Authority (IRDA), which was established in 2007 as a statutory authority. Iskandar Investment Berhad (IIB) was also formed in 2006 as a company jointly held by Khazanah Nasional, EPF and Kumpulan Prasarana Rakyat Johor Berhad to drive the development of catalytic projects in Iskandar. IIB was established with RM3.4 billion in assets and its roles include the implementation of the Ninth Malaysia Plan projects in the southern corridor. These plans were kick-started in 2008, with commencement of one of the 18 road works upgrading projects planned in the area, amounting to a total of RM4.9 billion.

Between 2011 and 2014, Iskandar Malaysia has recorded a total cumulative committed investment of RM90.4 billion of which RM47.1 billion has been realised, resulting in the creation of 320,100 jobs. Refer to Exhibit 3.2.6 for contributions of GLCs to Iskandar Malaysia.

EXHIBIT 3.2.6: SELECTED PROJECTS AND HIGHLIGHTS BY GLCs IN ISKANDAR MALAYSIA



Iskandar Malaysia Performance (2011-2014)

RM90.4bn
Committed Investments

RM47.1bn
Realised Investments

320,100
Jobs Created

Pinewood Iskandar Malaysia Studios (PIMS) is an integrated production facility located in Iskandar Malaysia. The state of the art facility, a subsidiary of Khazanah, cost approximately RM550 million to build and was launched in 2014.

PIMS is bringing significant economic and social benefits to Iskandar Malaysia. It is projected to contribute approximately RM1.0 billion in economic impact, including the creation of 3,000 direct jobs and potentially an additional 5,000 indirect jobs a year due to the rising number of foreign films and TV shoots.

To date, the Studios have been used for filming of Marco Polo Season 1, a ten episode American series shown on internet streaming media Netflix, Asia's Got Talent-Judges Auditions which premiered on AXN Asia channel to 20 countries across the Asia Pacific, Astro's local television series Projek Komedi Warna, Astro Star Quest, Chinese Golden Melody and Arclight Films and United Exhibitor Partners' action packed 3D sci-fi adventure film Lost in the Pacific which is scheduled for release towards the end of 2015.

UEM Sunrise (UEMS) is the master developer of Nusajaya, a city which, at 22,000 acres, serves as a focal point of Iskandar Malaysia. 77% of UEMS' land bank is in the Southern Region (Nusajaya, Kulai, Desaru and Mersing), of which 70% is in Iskandar Malaysia (Nusajaya and Kulai). Gerbang Nusajaya has been identified as the next growth catalyst with main focus on creation of economic activity and job opportunities. For phase one of Gerbang Nusajaya, UEMS projects include Nusajaya Tech Park, Motorsports City, as well as a series of residential projects.

As part of the Government's efforts in providing affordable homes to all Malaysians, UEMS has committed to build affordable homes in Nusajaya. In 2014, UEMS has launched 351 units of Bayu Nusantara followed by the launch of 1,217 units in Denai Nusantara in 2015. Subsequent launches of affordable homes in Gerbang Nusajaya will be in 2016.

In order to enhance Nusajaya's road connectivity, UEMS inked an agreement with IIB, Sunway Iskandar Development Sdn Bhd and Mulpha International Berhad to develop a 5.2 km Coastal Highway Southern Link named Coastal Highway Southern Link (CHSL). The CHSL Project will directly benefit the local population by providing direct connections to the Second Link Highway, Medini and other neighbouring developments.

Themed Attractions Resorts & Hotels Sdn Bhd (TAR&H), a wholly-owned subsidiary of Khazanah, focuses on developing world-class destination resorts and integrated theme parks and attractions, and growing a hotel and resort management business.

In Iskandar Malaysia, TAR&H currently owns LEGOLAND® Malaysia Resort (comprising LEGOLAND® main park, water park and hotel) and Puteri Harbour South (comprising Puteri Harbour Family Theme Park, Hotel Jen Puteri Harbour and a retail space).

From Q4 2012 to the end of 2014, the Khazanah theme parks and attractions in Iskandar Malaysia have collectively recorded an attendance volume of approximately 5.8 million.

Source: Eleventh Malaysia Plan, G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

1. Located in NCER, the Second Penang Bridge is the longest bridge in South East Asia and was constructed by UEM
2. Pinewood Iskandar Malaysia Studios (PIMS), an integrated production facility located in Iskandar Malaysia.
3. Legoland Malaysia, integrated resort and theme park in Iskandar Malaysia

Delivering major infrastructure projects

GLICs and GLCs have also supported nation building by delivering major infrastructure projects that are catalytic in nature, creating multiplier effects and triggering increased economic activity for the local economy and country as a whole (see Exhibit 3.2.7).

EXHIBIT 3.2.7 SELECTED EXAMPLES OF MAJOR INFRASTRUCTURE PROJECTS DELIVERED BY GLICs AND GLCs

TRANSPORTATION AND INFRASTRUCTURE

UEM

Sultan Abdul Halim Muadzam Shah Bridge – the longest bridge in South East Asia

The new Second Penang Bridge, spanning 24km, is the longest bridge in South East Asia. The bridge supports an average of 12,500 vehicles daily and has been a catalyst for the development of the surrounding Batu Kawan industrial area.

North-South Expressway – the backbone of the Peninsular

The North-South Expressway (NSE) is the longest expressway in Malaysia with a total length of 772 kilometres; from Bukit Kayu Hitam in Kedah near the Malaysia-Thai border to Johor Bahru at the southern tip of Peninsular Malaysia. The expressway links many major cities and towns in western Peninsular Malaysia, acting as the 'backbone' of the west coast. By providing a faster alternative to the old federal route, the NSE has been instrumental in reducing the cost of transportation and travel, thus creating incentives for economic growth.

Transforming urban transit with Kuala Lumpur Light Rail Transit and Mass Rapid Transit

UEM Builders are synonymous with the construction of complex mega infrastructure projects such as the 29km track of the LRT system 2 that extends from the west to the northeast of Kuala Lumpur, running through KL Sentral and Kuala Lumpur City Centre. The LRT is among the world's longest fully automated driverless rail systems.

UEM Builders were also awarded two major packages in the Mass Rapid Transit (MRT) project, forming part of the 51km Sungai Buloh-Kajang MRT line in the Klang Valley, which involves the construction of viaduct gateways, elevated stations and associated works. The MRT is expected to cater to 442,000 passengers per day when fully operational in 2017.

MALAYSIA AIRPORTS

klia2 – Malaysia's Next Generation Hub

The Kuala Lumpur International Airport 2 (klia2) is the world's largest purpose-built terminal for low cost carriers, providing seamless connectivity for both local and international low-cost and full-service carriers.

The klia2 was built to ensure Malaysia reaped the benefits of the high growth in low cost travel. It is designed to cater to 45 million passengers a year, and replaces the Low Cost Carrier Terminal (LCCT). With the launch of klia2, the combined total capacity of KLIA and klia2 has now reached 70 million passengers per annum.

Source: Eleventh Malaysia Plan, G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

2

1

1. KL Sentral: Malaysia's largest integrated transportation hub - developed by MRCB
2. klia2 departure hall - built and operated by MAHB and is designed to handle 45 million passengers a year

EXHIBIT 3.2.7 SELECTED EXAMPLES OF MAJOR INFRASTRUCTURE PROJECTS DELIVERED BY GLICs AND GLCs (CONT'D)

COMMUNICATIONS AND ELECTRICITY

Lighting up rural Malaysia through the Rural Electrification Programme

In cooperation with the Ministry of Rural and Regional Development (KKLW) and the Electricity Supplies Industry Trust Account under KeTTHA, TNB embarked on the Rural Electrification Programme to serve communities in Peninsular Malaysia that are beyond the jurisdiction of local authorities.

These include residents in very remote areas; Orang Asli (indigenous communities) villages, islanders and settlers in small estates. In such instances, electricity is provided either by extending TNB's grid lines or by using suitable forms of renewable energy such as solar hybrid, wind turbines, mini hydro or diesel generator sets.

Over 40 rural schools and more than 19,400 rural homes now have power since TNB's rural electrification programme was launched in 2001.

Wiring up Malaysia with High Speed Broadband

High Speed Broadband (HSBB) is a flagship project of the National Broadband Initiative that aims to boost the country's competitiveness. The project is a joint effort between TM and the Government to develop next-generation high speed broadband infrastructure and services for the nation. Since the launch of the project in 2008, the household broadband penetration rate has more than doubled from 21.1% in 2008 to 70.2% in 2014.

TM recently announced HSBB2, to be implemented in high economic impact areas, covering state capitals and selected major towns over the next three years.

Bridging the digital divide via Universal Service Provision

The Universal Service Provision promotes the widespread availability and use of network and application services throughout Malaysia by encouraging the installation of network facilities and the provision of services in underserved areas or for underserved groups within the community.

In bridging the digital divide, TM is a key partner and enabler of the USP in cooperation with Malaysian Communications and Multimedia Commission (MCMC). From a predominantly rural focus, these projects are now responsible for deploying telecommunications infrastructure, submarine cables, WiFi hotspots, wireless broadband, payphones and community broadband centres.

TM is involved in nine USP projects between 2012 and 2014, the latest being the provision of Sistem Kabel Rakyat 1Malaysia (SKR1M), a submarine cable linking Peninsular Malaysia with Sabah and Sarawak. Spanning 3,500km, SKR1M will have an initial capacity of 4 terabytes per second enhancing the nation's broadband connectivity to meet the industry's growing demand.

INTEGRATED DEVELOPMENT

KL Sentral – Malaysia's first integrated CBD and transportation hub

Built around Malaysia's largest transportation hub, Kuala Lumpur Sentral was designed to be the country's first fully-planned Central Business District (CBD) to seamlessly blend work, home and play environments. The development of KL Sentral has benefited the surrounding areas of Bangsar and Brickfields, with 160,000 passengers passing through this popular integrated transportation hub on a daily basis.

Source: Eleventh Malaysia Plan, G20 annual reports, G20 submission to PCG Secretariat, PCG Secretariat analysis

Wind turbine and solar powering the rural area in Malaysia, provided by Tenaga Nasional Berhad, located in Pulau Perhentian, Terengganu

Making Malaysia a global Islamic finance hub

Malaysia's financial services industry has progressed to become the backbone of our economy, with Islamic Finance's fast-growing pace contributing to the sector's expansion. As the country looks to transform into a high-income nation, continued innovation of products and services is crucial in remaining competitive as a global Islamic Finance hub.

The introduction of Islamic finance 30 years ago provided Malaysia with a natural platform to embark on sustainable and responsible investment. Malaysia's Islamic capital market, which has recorded an average of 12% annual growth over the last five years, currently stands at RM1.6 trillion. It also continues to be the global leader in the sukuk market, accounting for 66% of global sukuk issuance and 57% of global sukuk outstanding in 2014.[1]

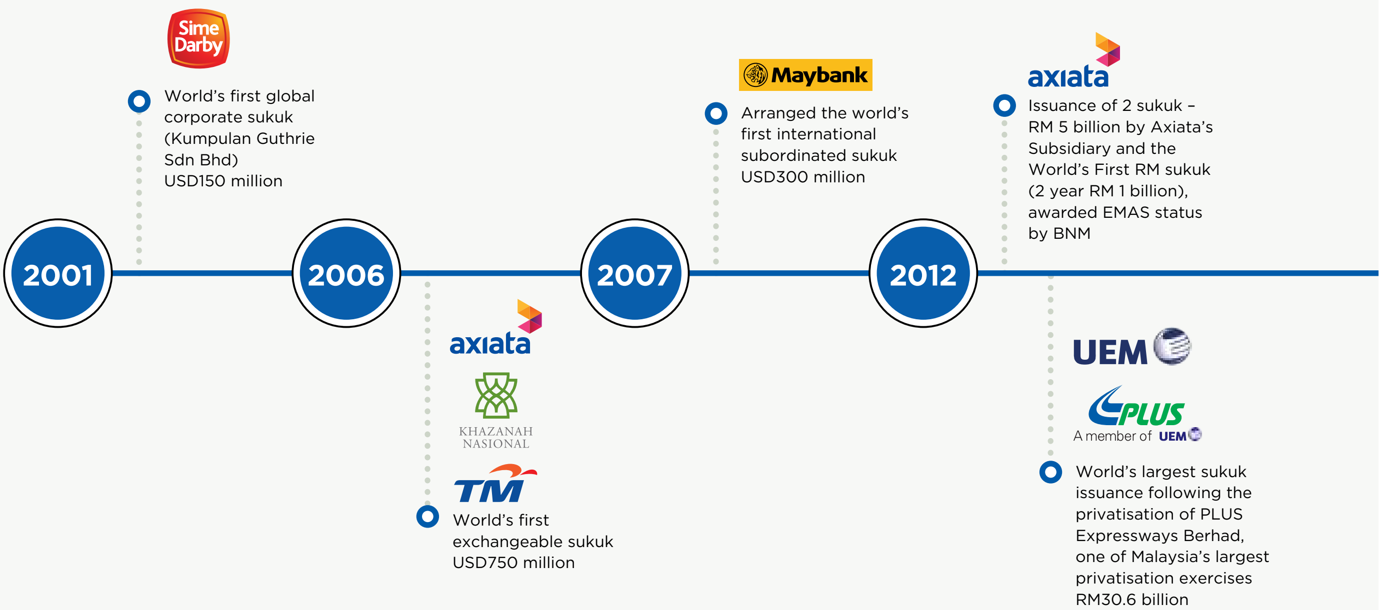
In 2014, Malaysia broke further ground by issuing its fourth global sukuk. This included USD1.0 billion in ten-year sukuk, and USD0.5 billion in the first ever 30-year sovereign global sukuk. Both issues were significantly oversubscribed – a good testament to global investor confidence in Malaysia.

GLICs and GLCs have been key players and contributors to the growth of the sukuk market by pioneering the issuance of landmark innovative sukuk (see Exhibit 3.2.8).

Islamic Banking should be one of Malaysia's focus areas, the UK has shown interest in working with Kuala Lumpur on Islamic Finance, with an endorsement from the British Prime Minister, indicating Malaysia's potential as the premier destination of choice for Islamic Finance.

Dato' Sri Zukri Samat
CEO, BIMB Holdings Berhad

EXHIBIT 3.2.8: GLICs AND GLCs CONTINUE TO BE PIONEERS IN THE SUKUK MARKET BY ISSUING LANDMARK INNOVATIVE SUKUK – SELECTED MILESTONES OF GLIC AND GLC SUKUK ISSUANCE



Source: G20 Submission to PCG Secretariat, PCG Secretariat analysis

[1] YAB Dato' Sri Mohd Najib Tun Abdul Razak's keynote address, Invest Malaysia 2015 Kuala Lumpur, 23 April 2015

Khazanah issues world's first ringgit-denominated sustainable and responsible investment sukuk

In 2015, Khazanah successfully offered and priced a RM100 million seven-year sustainable and responsible investment sukuk issued via a Malaysian incorporated independent special purpose vehicle, Ihsan Sukuk Bhd. This issuance was pursuant to Ihsan's RM1.0 billion Sukuk Programme, the first programme approved under the Securities Commission Malaysia's Sustainable and Responsible Investment Sukuk framework. This sukuk marks another milestone in product innovation from Malaysia in the Islamic capital market. This achievement also reinforces the universality of the value proposition of Islamic finance.

The stage is set for Malaysia to not only strengthen its position as the leading global sukuk centre, but also to expand the market for both fundraising and investment activities, by fully integrating the principles of Shariah with those of sustainable and responsible investment.

G20 banks claim the largest market share of global sukuk

CIMB Group's Islamic arm, CIMB Islamic, is the largest Islamic investment bank in Malaysia by activities and arranger of sukuk, as well as by number of deals and volume. CIMB Islamic claimed the largest market share (15.4%) of global sukuk issuances in 2014, with over twice the number of issuances of its closest competitor.

Over the last year CIMB Islamic pioneered several landmark sovereign sukuk deals including those issued by the Government of Hong Kong, United Kingdom, Indonesia and the Republic of Turkey. CIMB Islamic also carried out two global sukuk issuances for a supranational organization, the Islamic Development Bank.

Maybank Islamic is also consistently recognised by the industry as a leading sukuk house. In 2014, Maybank is positioned in the top three of the Bloomberg Global Islamic Bonds League Table and top two of the Bloomberg Malaysia Ringgit League Table with market share of 9.9% and 22.7% respectively.

2013

MBSB
World's first structured covered sukuk commodity Murabahah backed by financing receivables
RM3.0 billion

2014

Malaysia Airports
First ever rated perpetual subordinated sukuk and the largest corporate perpetual sukuk issuance in Malaysia at time of issuance
RM1.0 billion

Maybank
Basel III-compliant subordinated sukuk Murabahah received the "Leadership Issuer of The year" awars at the Asset Triple A Islamic Finance Awards 2015
RM1.5 billion

Sime Darby
First Asian conglomerate to establish multi-currency sukuk programme
USD1.5 billion

Khazanah Nasional / Tenaga Nasional
First internationally distributed sukuk structured based on Mudarabah & Murabahah principle
USD500 million

2015

CIMB
Arranged GoM's global US Dollar sukuk - world's first 30-year sovereign sukuk utilising rights to non-physical income-generating services as part of the trust assets
USD500 million

Khazanah Nasional
World's first ringgit-denominated sustainable and responsible investment sukuk
RM100 million

Malaysia's Islamic banks have also done well with a total of 41 banking institutions ranked in The Banker's Top 500 Islamic financial institutions globally.[1] G20 banks, in particular, fare well in terms of ranking, featuring within the top 100 globally, in terms of Shariah-compliant assets (see Exhibit 3.2.9). Three of the G20 banks are ranked within the top five Islamic banks in Malaysia, with Maybank ranked third globally. Maybank Islamic Berhad, the Islamic finance arm of Maybank Group, is also the largest Islamic Bank in ASEAN and the third largest Islamic bank in the world with assets of RM146.4 billion.

In terms of market share, Malaysia leads the pack with 16 fully-fledged Islamic banks including five foreign ones, with total Islamic bank assets of USD135 billion, accounting for 21% of the country's total banking assets.[2]

EXHIBIT 3.2.9: G20 BANKS RANK AMONGST THE TOP ISLAMIC FINANCIAL INSTITUTIONS IN THE WORLD

INSTITUTION	GLOBAL RANK	DOMESTIC RANK
Maybank	3	1
CIMB	17	3
BIMB HOLDINGS BERHAD	25	4
MBSB	48	11
AFFIN HOLDINGS	70	15

Source: The Banker Top 500 Islamic Institutions, 2013; G20 submission to PCG Secretariat

Further strengthening Malaysia's position as a global finance hub, GLICs and GLCs have also won numerous awards that are internationally recognised in the Islamic finance industry (see Exhibit 3.2.10).

EXHIBIT 3.2.10: SELECTED ISLAMIC FINANCE INDUSTRY AWARDS AND RECOGNITION WON BY G20

Maybank	The Banker Global Islamic Bank of the Year 2015 Global Finance World Best Islamic Retail Bank (Global) 2015
CIMB	The Banker Global and Asia Pacific Islamic Bank of the Year 2013 Ranked first on Bloomberg 2014 Global Sukuk League Table
BIMB HOLDINGS BERHAD	Islamic Finance News Awards 2013: Equity Deal of The Year
MBSB	International Financing Review (IFR) Asia Awards 2015 (Category: Islamic Issue)

Source: G20 Submission to PCG Secretariat, PCG Secretariat analysis

[1] The Banker Special Report, Top Islamic Financial Institutions, November 2013
[2] Alam & Ennew, Islamic Finance goes global, but Malaysia leads the way, 18 September 2014

C. Inclusivity Through Workforce Diversity and Bumiputera Empowerment Agenda

Inclusivity Through Workforce Diversity

As Malaysia progresses towards becoming a developed nation by 2020, there is a need for all companies, including GLCs, to play a key role in ensuring this is achieved in an inclusive manner as stated in the New Economic Model.

In this regard, YAB Dato' Sri Mohd Najib Tun Hj. Abdul Razak had a dialogue session on 9 April 2014 with leaders of the top 50 public listed companies (by market capitalisation), which included CEOs of many GLCs. YAB Prime Minister urged the captains of industries to elevate inclusivity practices in their organisations and in doing so, demonstrate leadership in these areas to the rest of corporate Malaysia. He also mentioned that inclusivity involves ensuring diversity of our workforce, in terms of gender, ethnicity and age, and that these details should be disclosed in company annual reports. He added that diversity is a source of strength for Malaysia and our market differentiator, and should therefore be leveraged.

In tandem to this, the GLCT Programme via PCG has encouraged GLCs in creating a stronger talent pool and workforce that is highly diverse.

There was a significant increase in workforce diversity in terms of gender, ethnicity and age. From 2010 to 2014, the number of women on G20 boards and their listed subsidiaries have increased from 8.5% to 16.9% (Exhibit 3.2.11), consistently ahead of public listed companies in Malaysia (increased from 7.8% to 10.2%). In 2014, women made up 38% of the total G20 Malaysian workforce which is comparable to the achievement at 122 public listed companies, based on a survey concluded by PwC[1].

On ethnicity, G20's total workforce ethnic composition can improve to better reflect Malaysia's ethnic composition (see Exhibit 3.2.13).

G20 also has a strong Generation-Y workforce at close to 30% (see Exhibit 3.2.14), indicating that the companies are actively recruiting from the younger generation to foster a diversed workforce.

1. A group of young Axiata's executives at their KL Sentral office
2. (From left) Datuk Ranjit Ajit Singh, Dato' Sri Idris Jala, YAB Dato' Sri Mohd Najib Tun Hj. Abdul Razak, Dato' Sri Abdul Wahid Omar and Johan Merican Mahmood at the Sustainability and Diversity dialogue session chaired by YAB Prime Minister.
3. UMW executives at the Shah Alam Headquarters

[1] "Diversity in the Workplace" survey conducted by PwC and commissioned by TalentCorp in September 2013

EXHIBIT 3.2.11: G20 MALAYSIAN WORKFORCE 2014 - PERCENTAGE OF WOMEN AT BOARD LEVEL

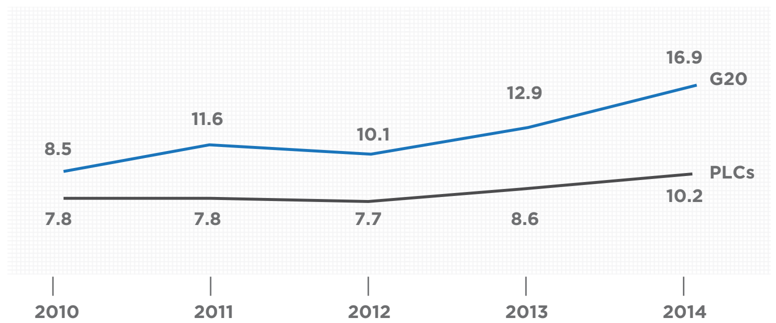


EXHIBIT 3.2.12: G20 MALAYSIAN WORKFORCE 2014 - GENDER BY POSITIONS (%)

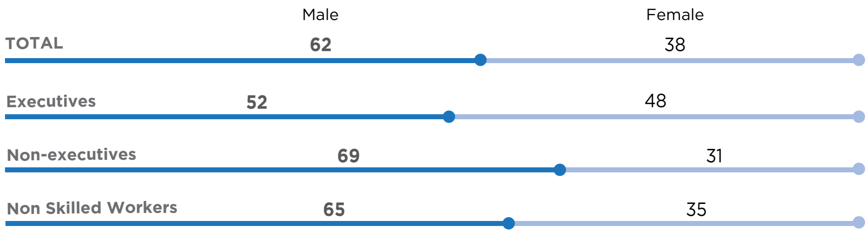


EXHIBIT 3.2.13: G20 MALAYSIAN WORKFORCE 2014 – ETHNICITY BY POSITIONS (%)

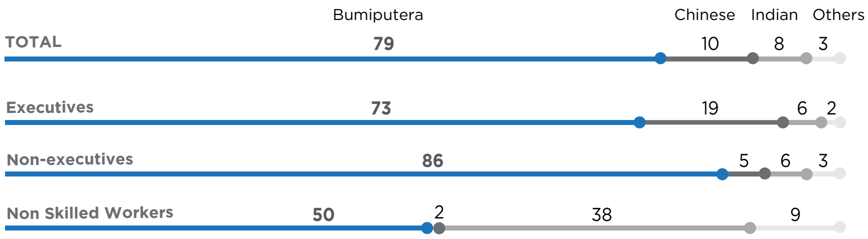
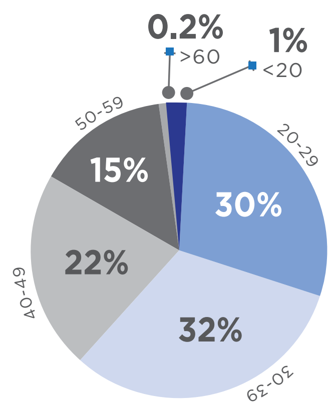


EXHIBIT 3.2.14: G20 MALAYSIAN WORKFORCE 2014 – AGE COMPOSITION (%)



Employee diversity must be promoted at every level of an organisation, in particular, critical managerial positions. The GLCT Programme is in a unique position to encourage greater diversity in terms of ethnicity, gender and age across the G20 - creating diversity in thinking, which in turn fosters innovation and competitiveness.

Dato' Sri Che Khalib Mohamad Noh
Group Managing Director, MMC Corporation Berhad

Source: G20 submission to PCG Secretariat, PCG Secretariat analysis

Inclusivity Through Bumiputera Empowerment Agenda

Background

Bumiputera Agenda (BA) is a national agenda to address ethnic income disparities and ensure the benefits of national development are distributed to all citizens in an equitable manner. This initiative recognises that while there have been major developments for the Bumiputera community, the need to address socioeconomic imbalances within our society still remains.

As a component of the 2nd Underlying Principle of the GLCT Programme, BA has always been a priority, as the Programme's national development focus necessarily includes commitment to growth with equity. The Red Book also provided procurement best practices including vendor development programmes that support the Bumiputera business community.

Since the announcement of the GLCT Programme, GLICs and GLCs have contributed significantly to Bumiputera Agenda, particularly through procurement, the Bumiputera vendor development programme (BVDP), human capital and education initiatives (see Exhibit 3.2.15).

"It is no accident that the 11th Malaysia Plan, which charts the final leg of our journey towards Vision 2020, places the upliftment of the bottom 40% of households and Bumiputera economic empowerment at the heart of the national agenda for these remaining five years. GLCs need to increase their contribution to the Bumiputera Agenda, delivering on their promises."

Tan Sri Dato' Sri Hamad Kama Piah Che Othman
CEO, Permodalan Nasional Berhad

EXHIBIT 3.2.15: G20 CONTRIBUTION TO THE BUMIPUTERA AGENDA (2004 – 2014)

Procurement

17,166

Bumiputera suppliers and vendors have been provided with business opportunities in 2014.

RM17.6bn

worth of business provided to **Bumiputera suppliers** in 2014

Bumiputera Vendor Development Programme (BVDP)

1,307

Bumiputera vendors benefited from participation in G20 BVDPs from in 2014.

A total of **82** vendors have graduated from the BVDP from 2004 to 2014.

RM1.8bn

spent on G20 BVDP in 2014.

Education

5,121

Bumiputera students have benefitted from scholarships awarded by G20 from 2004 to 2014.

RM414mn

spent by G20 on scholarships to **Bumiputera students** from 2004 to 2014.

Human Capital

178,191

Bumiputera employees employed by G20 in 2014. This represents 79% of the total G20 Malaysian workforce.

4,183

unemployed Bumiputera graduates have benefited from the **Graduate Employability Management Scheme (GEMS) and (Skim Latihan 1Malaysia (SL1M)** programme with from 2009 to 2014.

1,224

Bumiputera directors trained by Malaysian Directors Academy (MINDA) from 2004 to 2013.

MINDA
MALAYSIAN DIRECTORS ACADEMY

Bumiputera Empowerment Agenda:
Professionalising and Operationalising the Bumiputera Agenda

The Government has recognised that inequitable wealth distribution must be addressed to pave the way for the Nation to grow with inclusiveness and sustainability. The country needs to strike a balance between the “capital economy” (e.g. GNI) for growth and the “people economy” (e.g. household income, cost of living, well-being index) to ensure long-term stability and sustainability. It was in this context that YAB Dato’ Sri Mohd Najib Tun Razak launched Bumiputera Economic Empowerment (BEE) on 14th September 2013.

YAB Prime Minister announcing the Bumiputera Economic Empowerment initiatives

In his speech, seven focus areas were assigned to GLICs and GLCs, as follows:

1. Vendor development programme (VDP) - GLCs to enhance their vendor development programmes
2. Anchor company - creating anchor companies for supply chain
3. Carve-out - to expand carve out policy
4. Human capital - to improve marketability of unemployed Bumiputera graduates via GEMS/SL1M programmes
5. Non-financial assets - related GLICs and GLCs in property sector to expand the development of non-financial asset ownership (e.g. houses, shop-lots and commercial premises)
6. Bumiputera equity ownership - PNB to launch Skim Amanah Saham Bumiputera (ASB)2 with an injection of 10 billion units
7. Procurement - to include Bumiputera in procurement activities

In response to YAB Prime Minister’s expectations of GLICs and GLCs in his speech, the PCG developed the Bumiputera Empowerment Agenda (BEA). This move represented the efforts of the GLCT Programme to not only continue, but to step up existing GLICs and GLCs commitments under the Bumiputera Agenda. Under BEA, GLICs and G20 pledged to undertake initiatives supporting Bumiputera within a clear framework (see Exhibit 3.2.16).

EXHIBIT 3.2.16: BEA IMPLEMENTATION FRAMEWORK FOR GLICs AND GLCs

BEA IMPLEMENTATION GUIDELINES

PRACTICES
The implementation of the initiatives need to be carried out via transparent processes, in market -friendly and merit-based conditions

PLAYING FIELD
Initiatives to be carried out in pro-growth areas

STAKEHOLDERS
The initiatives will cater for various stakeholder requirements and on needs-basis while promoting inclusiveness

FOUNDATION
BEA implementation will be in accordance with the principles of social justice that promote equitability and social mobility

INDEPENDENT & PROGRESSIVE BUMIPUTERA

MERIT-BASED	TRANSPARENT	MARKET FRIENDLY
Encourage competition and awards of contracts	Policies, procedures, criteria are clear and publicly available	Resources optimally allocated without perpetuating economic distortions

PRO-GROWTH
Promoting participation in growth areas

NEEDS-BASED	INCLUSIVENESS
Bottom 40% and disadvantaged groups targeted for assistance	Equitable treatment of society to result in security, stability & harmony

SOCIAL JUSTICE
Appropriate principles and interventions for each segment of the society

EQUITABILITY
Fair and right equity/wealth distribution

Source: PCG

To ensure the objectives of the BEA programme were met, a programme management approach was adopted that helped GLICs and GLCs commit to professionalising and operationalising the agenda in a structured and effective manner.

Professionalising the BEA

Professionalising the BEA is about structuring and designing the programme such that they are given serious commitment, rigour and intensity. This is necessary given the resource and time limitations faced by GLICs and G20. Professionalising the programme management of the BEA entails:

- Placing BEA high on the corporate agenda, stewarded and governed at the board level
- Establishing BEA KPIs and game-changing initiatives (GCIs) that address all stakeholder groups (i.e. entrepreneurs, students, employees, society) and embedding them into existing corporate scorecards
- Reporting progress of KPIs and GCIs to YAB Prime Minister in an appropriate periodic forums
- Adopting the White Room approach where one-on-one, closed door sessions between the Government and GLIC and GLC heads are conducted

Operationalising the BEA

This BEA approach was operationalised in four ways:

- Intensify - deepening and widening the BEA programme through existing GLCT initiatives and the five roles of GLICs and GLCs in support of the NEM
- "Compulsory pass" - where a minimum pass mark of 70% was established for BEA KPIs rolled out in 2014. This is the minimum commitment that GLICs and GLCs must achieve
- Target setting – GLICs and G20 established their respective baselines (starting position for KPI achievement) based on either the cumulative achievements of past years or on 2013 achievements in order to set reasonable and achievable targets
- Game Changing Initiatives - GLICs and G20 identified and announced at least one major KPI or GCI that will have a major impact on the Bumiputera community

PCG has also developed the BEA implementation plan for implementation of the BEA to 2020 to enable effective programme management. The implementation plan illustrates the aspirations, expected outcomes and level of engagement required during each phase of the BEA (see Exhibit 3.2.17).

EXHIBIT 3.2.17: BEA IMPLEMENTATION PLAN

	PHASE 1 2013 - JULY 2015	PHASE 2 JULY 2015 - 2018	PHASE 3 2018 - 2020	
	Generate momentum, building hope	Strengthen, Deepen & Widen	Catalyse & Extend	Achieved developed nation status
	Delivering expectations/promises • BEA KPIs & GCIs established • BEA Policies in place • Rolling out of initiatives with impact	Deepening and professionalising BEA • Deepen existing and new initiatives • Enhance BEA policies • Build further partnership with Bumiputera Community • Enhance Bumiputera capabilities & capacities	Building institutions at personal & entity level • Bumiputera at personal and entity level, Malaysia Inc imparting experience, creating opportunities • Equipping Bumiputera with greater sophistication • Intensify Bumiputera collaboration with private sectors supported by GLCs	
Outcomes	• KPIs & GCIs in 7 focus areas delivered	• Deepened practices • Increasing visible benefits to all stakeholders	• Competitive Bumiputera community • Bumiputera wealth creation	
Engagement	• Announcement • Awareness, Understanding, positive response	• Collaborate, adopt	• Institutionalise	

Malaysia must be a comprehensively developed country – developed economically, developed politically, developed socially and culturally, progressive and caring.

This includes:

National unity
•
High income
•
Sustainability
•
Inclusivity

Source: PCG

BEA Achievements

In 2014, GLICs and GLCs began implementing their respective KPIs and GCIs. The overall performance of GLICs and GLCs are assessed by measuring the KPIs and GCIs achievements by stakeholder group (see Exhibit 3.2.17). Although the programme only started last year, it is already showing encouraging results with GLICs and G20 delivering an average 90% of their company-level KPI targets against 2014 targets[1].

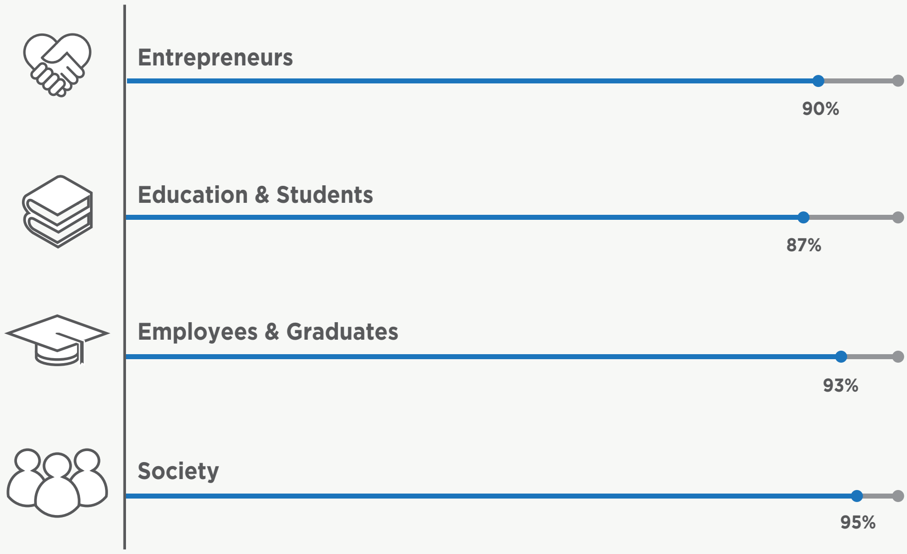
In 2014, GLICs' and G20s' economic activities for the Bumiputera community under the BEA KPI initiatives grew to RM43.9 billion from RM34.2 billion in 2013, recording an increase of RM9.7 billion (or 28%) worth of new initiatives, surpassing the RM7 billion target set.

The GLCT Programme also envisions the creation of competitive GLICs and GLCs. EPF, through MRCB its investee company introduced an initiative that enables Bumiputera entrepreneurs to manage GLCs in an effort to add dynamism and increase efficiency.

The Programme has also prepared many young Bumiputera through training and incorporating Bumiputera participation in business. Further improvements on the distribution of wealth has to begin at the grass-root levels, the challenge is then to communicate the importance of meritocracy in creating and helping budding Bumiputera entrepreneurs.

Tan Sri Azlan Zainol
Chairman,
Malaysian Resources Corporation Berhad

EXHIBIT 3.2.18: BEA KPI ACHIEVEMENTS BY STAKEHOLDER GROUP AGAINST 2014 TARGETS



Source: G20 submission to PCG Secretariat, PCG Secretariat analysis

PNB, as a GLIC, has succeeded in mobilising a sizeable number of Bumiputera to invest in its unit trust schemes. The investing Bumiputera have thus far regarded their investments in these unit trust schemes as another form of secured savings. The efforts of PNB have succeeded to reduce income inequalities, and inculcated trust in the organisation

Tun Ahmad Sarji bin Abdul Hamid
Chairman, PNB

Vision 2020 is a noble aspiration that requires an implementation plan which takes into consideration as many stakeholders as possible in order to benefit the nation and people. It should promote equitable participation. GLCs, as representatives of the rakyat, are actively embracing equitable dealings with peers without compromising the Bumiputera Agenda.

Dato' Abdul Aziz bin Abu Bakar
CEO, Malaysian Directors Academy (MINDA)

[1] Calculated using a simple average method

There has been improvement in GLCs in terms of providing the necessary platform for Bumiputera entrepreneurs to become successful. However, this is just the beginning. The task of creating more successful Bumiputera entrepreneurs is a challenging one as it requires fundamental shifts in the way we intend to elevate Bumiputera entrepreneurs. Meritocracy plays a key role. We are beginning to see this shift towards merit based assistance, which is a positive effort in Bumiputera Agenda through the GLCT Programme.

Tan Sri Mohamad Salim Fateh Din
Group Managing Director and CEO, Malaysian Resources Corporation Berhad

BEA KPI 2014 Achievements in the BEE Seven Focus Areas

GLICs and GLCs have also delivered on the BEA KPIs that are part of the BEE seven focus areas[1] (see Exhibit 3.2.19).

EXHIBIT 3.2.19: GLIC AND G20 KPI AND GCI ACHIEVEMENTS IN THE BEE FOCUS AREAS 2014

	Focus Area	Description	Target	Achievement
1.	Vendor development programme (VDP)	To implement and enhance respective GLC VDPs	**1,085** New and existing vendors benefited	**1,065** VDP participants have participated in vendor development programmes in 2014
2.	Anchor company	To create anchor companies to build scale and address issues relating to supply chain	**10** Consortiums established	**10** New anchor companies were established in 2014 **RM47.7 million** Invested by G20 in anchor companies
3.	Carve-out	To expand carve-out policy and allocations for Bumiputera participation in large projects	**RM4.9 billion** Value of carve-out allocated	**RM8.2 billion** Value of carve-out allocated by GLICs and G20 for Bumiputera in 2014
4.	Human capital	To improve marketability of unemployed Bumiputera graduates via GEMS/SL1M	**1,780** Beneficiaries trained **90** Beneficiaries absorbed and offered employment	**1,943** Beneficiaries trained **66** Beneficiaries absorbed and offered employment in GLICs and G20
5.	Non-financial assets	Related GLICs and GLCs in property sector to expand the development of non-financial asset ownership by developing affordable housing, shop lots and commercial premises	**1,640** Units offered	**2,068** Units of affordable homes and non-financial assets were provided under programmes initiated by GLICs and GLCs in 2014
6.	Bumiputera equity ownership	PNB to launch Skim ASB2 with an injection of 10 billion units	**RM10 billion** Units launched	**RM10 billion** Units launched by PNB in April 2014 with a take up rate of RM1.7bn as at 31 Dec 2014
7	Procurement	To include Bumiputera in procurement activities	**RM14.1 billion** Value of procurement spend	**RM13.3 billion** Value of procurement spent on Bumiputera vendors by G20 in 2014

[1] The analysis conducted was based on data reported under KPIs by GLICs and G20

D. Adopting Sustainability Practices

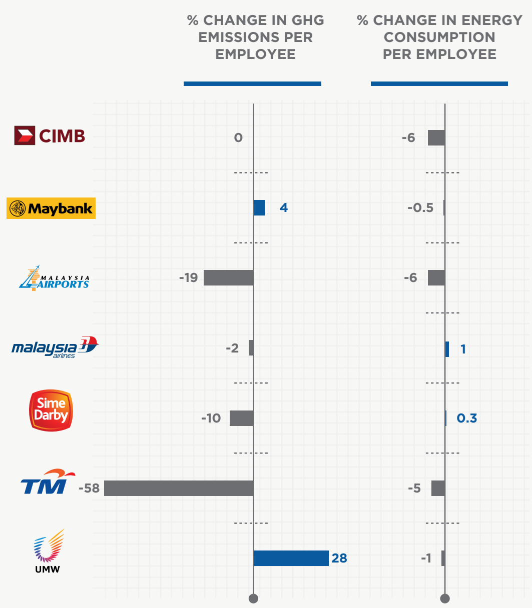
Development That Meets The Needs of The Present Without Compromising Future Generations
In Malaysia, the evolution towards the concept of sustainability started with the idea of corporate social responsibility (CSR). In 2006, Bursa Malaysia launched a CSR framework while the GLCT Programme also launched the Silver Book on "Achieving Value Through Social Responsibility".

Subsequently, former Prime Minister, YAB Tun Abdullah bin Haji Ahmad Badawi, in his 2007 budget speech, made it a requirement for public listed companies to report CSR programmes in their annual reports. Since then, the concept of CSR has evolved into Corporate Responsibility (CR), which covers all stakeholders rather than selected ones and CR in turn is now becoming a part of the larger concept of sustainability.

Over the course of the GLCT Programme, GLCs have been enhancing their sustainability practices.

Improved Environmental Sustainability
GLCs have improved their environmental sustainability through the reduction of Green House Gases (GHG) emission and efficient energy utilisation. Out of the seven G20 companies, five companies reported no change in reduction (2%-58%) in GHG emissions per employee from 2004 to 2014. Similarly, five companies reported reduction (0.5%-6%) in energy consumption per employee (see Exhibit 3.2.20).

EXHIBIT 3.2.20: G20 GHG EMISSION AND EFFICIENT ENERGY UTILISATION DIRECTIONAL TREND (2004 – 2014)*



* The analysis was conducted based on published sustainability reports within the time period of 2004 – 2014, discrepancies occur for each company due to availability of sustainability reports.
Source: G20 Sustainability Reports, PCG Secretariat analysis

G20 companies have also been recognised for their sustainability reporting, having won awards by ACCA Malaysia Sustainability Reporting Awards (MaSRA) for Best Sustainability Reports and commendation on Reporting On Sustainability Strategy (see exhibit 3.2.21).

EXHIBIT 3.2.21: G20 COMPANIES THAT WON ACCA MALAYSIA SUSTAINABILITY REPORTING AWARDS (MASRA) 2013 & 2014

Maybank	axiata	Sime Darby
WINNER: Best Sustainability Report 2013 & 2014	**RUNNER-UP:** Best Sustainability Report 2014	**COMMENDATION:** Reporting On Sustainability Strategy 2014

Source: ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2013 & 2014

Apart from awards won, GLCs sustainability efforts have also been recognised their inclusion in the FTSE4Good Bursa Index, where G20 companies made up half of the top ten constituents in 2015. These constituents were selected from the top 200 Malaysian stocks in the FTSE Bursa Malaysia EMAS Index, screened in accordance with the transparent and defined Environmental, Social and Governance (ESG) criteria. It was designed to identify Malaysian companies with recognised CR practices, expanding the range of the benchmarks of the FTSE Bursa Malaysia Index Series for the Malaysian Markets.

EXHIBIT 3.2.22: G20 REPRESENT HALF OF FTSE4GOOD BURSA INDEX CONSTITUENTS 2015

TOP TEN CONSTITUENTS

Constituents	G20	Sector	Net market cap (RM)
Malayan Banking	✓	Banks	46,893
Tenaga Nasional	✓	Electricity	44,564
CIMB Group Holdings	✓	Banks	29,490
Axiata Group Bhd	✓	Mobile Telecommunications	28,080
Digi.com		Mobile Telecommunications	20,004
PETRONAS Chemicals Group Bhd		Chemicals	18,202
Petronas Gas		Oil & Gas Producers	16,827
Telekom Malaysia	✓	Fixed Line Telecommunications	14,352
MISC		Industrial Transportation	11,372
Astro Malaysia Holdings		Media	6,243
TOTAL			**235,972**

Source: FTSE4Good Bursa Index Constituents 2015

Below are some examples of GLCs' sustainability practices (see Exhibit 3.2.23).

EXHIBIT 3.2.23: SELECTED EXAMPLES OF G20 SUSTAINABILITY PRACTICES

Axiata's edotco Group

Established in 2013 to manage the passive network infrastructure of Axiata Group. edotco has expanded its operations while establishing a baseline to manage energy consumption across the Group. Through edotco, Axiata has established the Echo centre in 2014, a remote monitoring centre for 300 of its base stations in Malaysia, providing live information on their towers, operations and current status. This service will be extended to other remaining sites in Malaysia as well as to Bangladesh. Axiata targets to reduce its GHG emissions by 40% (from its established baseline in 2013) by 2018.

Maybank's Paperless Movement

Maybank's move to a paperless environment increased savings in consumption and cost in 2012 and 2013. This was achieved through less printing and moving some internal processes to mobile platforms. The biggest change has been brought by its Regional Branch Solution (RBS). Customers through RBS are able to experience paperless transactions and throughout 2013, the Group was able to save approximately RM7 million due to paperless transactions and reduction in hardcopy statement initiatives. Other initiatives include e-procurement, paperless loan transactions and e-banking for customers via Maybank2U.

MRCB's Green Projects

All new projects undertaken by MRCB Land since 2009 conformed to the global standards stipulated by reputable green accreditation bodies. The Malaysian Green Building Index (GBI), US-based US Building Council's Leadership in Energy and Environmental Design (LEED) and the Green Mark by Singapore's Building and Construction Authority (BCA) have been implemented. Platinum Sentral was the first development in Kuala Lumpur Sentral to obtain its green certification; BCA Green Mark (Platinum) and GBI (Certified).

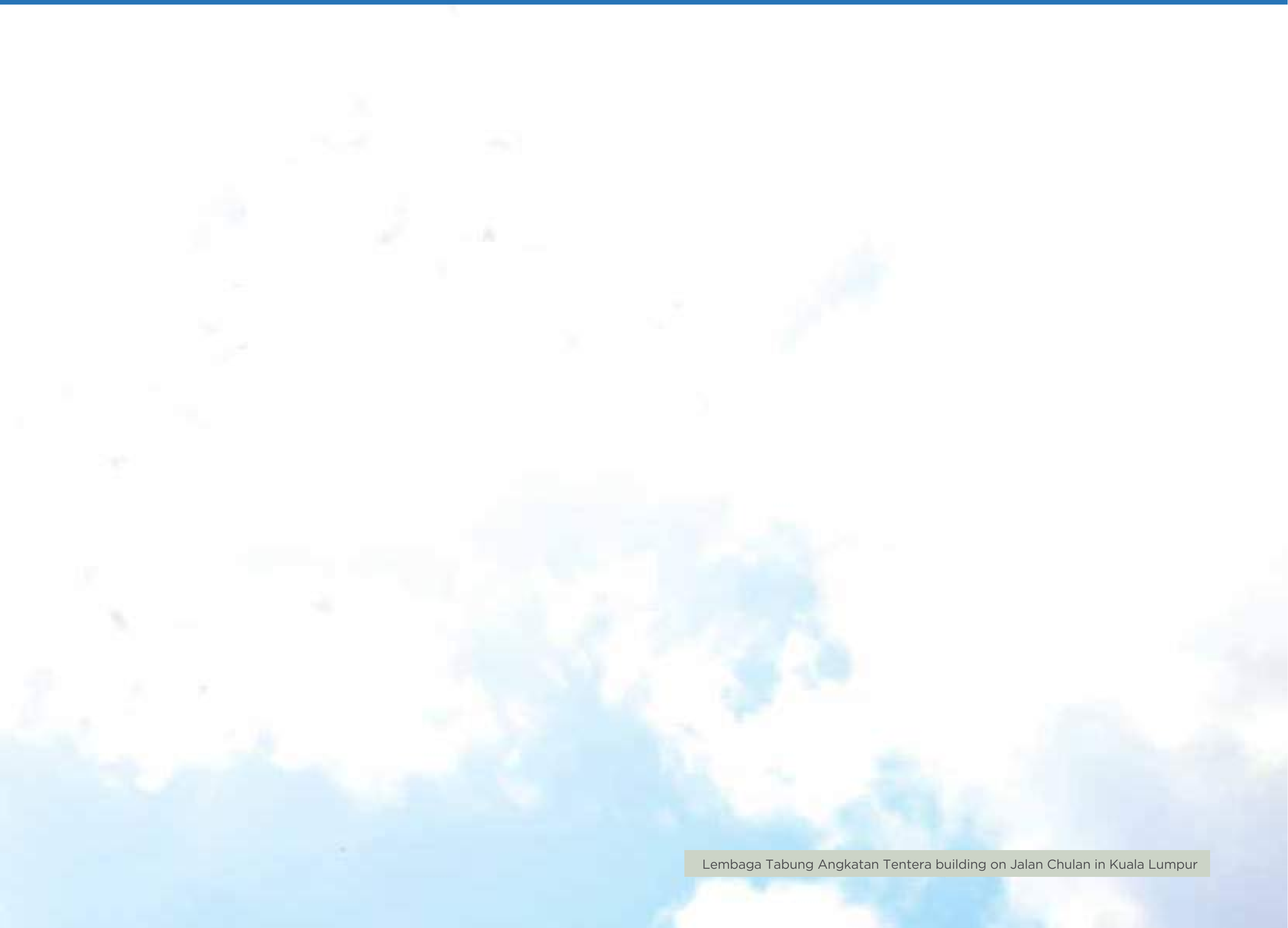
Sime Darby and Sustainable Palm Oil

- Founding member of and certified by the Roundtable on Sustainable Palm Oil (RSPO), and produced 2.1 million tonnes of certified sustainable palm oil (CSPO) in 2014
- Supports small holders in achieving RSPO certification
- 38 of its 59 mills in Malaysia and Indonesia are now fully segregated, processing only RSPO-certified FFB, bringing their fully-segregated CSPO capacity to 1.42 million tonnes in 2014
- Participation in Standards Development - RSPO Liberian National Interpretation, Malaysian Sustainable Palm Oil Standard, UNGC Food & Agriculture Business Principles etc.

The Maybank tower on Jalan Tun Perak lights up the Kuala Lumpur skyline at night

4

BENEFITTING ALL STAKEHOLDERS



Lembaga Tabung Angkatan Tentera building on Jalan Chulan in Kuala Lumpur

The 3rd Underlying Principle of the GLCT Programme, is about having good governance and ensuring benefits are not only provided to shareholders, but to all other stakeholder groups as well such as customers, employees, vendors and suppliers and society.

As a result of strong financial performance, G20 has been able to contribute RM108.6 billion in dividends and RM62.7 billion in taxes from FY2004 to FY2014, providing returns to the investing public (including contributors to trust agencies such as Employees Provident Fund and Permodalan Nasional Berhad) and the rakyat and country.

The progress made by GLCs has also benefitted all stakeholders including customers through enhanced service standards and products; employees through providing competitive compensation, investing in professional development and providing career progression and a conducive work environment; vendors and suppliers through vendor development programmes and business opportunities; and society through CR initiatives.

This Chapter illustrates the benefits provided by GLCs to their customers, employees, vendors and suppliers and society.

RM108.6billion
Dividends Paid by G20 from FY2004 to FY2014 **enriching** the investing public and contributors to EPF and PNB

RM62.7billion
Taxes Paid by G20 from FY2004 to FY2014 **benefitting** the *rakyat* and country

4 Benefitting All Stakeholders

4.1 Benefits to Customers

Customers all over Malaysia and sometimes beyond the borders, are benefitting from GLCs directly and indirectly through their products and services. GLCs touch many aspects of customers' lives, for example, by powering homes, enabling customers to stay connected, helping them manage finances, and building the physical infrastructure they use everyday.

GLCs have also continuously enhanced the quality of their products and services in order to provide greater value to their customers and improve their lives. As a testimony of this, GLCs have won at least 285 local, regional and international customer related awards, with some of the more prestigious ones highlighted in Exhibit 4.1.1.

Many GLCs have a significant part of their operations within the country and as such, they have a major impact on local consumers. Beyond benefitting the direct shareholders, GLCs can take the lead in improving and setting the standards for their products and services.

Tan Sri Azman Yahya
Chairman and Group CEO, Symphony House Berhad
Board Member, Khazanah Nasional Berhad

1. An information assistant at KLIA
2. Customers enjoying the facilities at CIMB Niaga's Digital Lounge
3. A pharmacist of Royale Pharma (Boustead) with a customer
4. A relationship manager providing advice to customers at an AXA (Affin) branch

EXHIBIT 4.1.1: TOUCHING CUSTOMER LIVES WITH AWARD WINNING PRODUCTS AND SERVICES

BANKING

BIMB, CIMB, Maybank, Affin, and MBSB safeguard the income customers earn, while introducing new banking solutions that make their lives more convenient.

International Banker Awards - Best Customer Service Provider, Asia (2014)

The International Banker Banking Awards recognises institutions that drive global economic commerce, create capital within their regions and opportunities for economic growth, while maintaining a high level of regulatory compliance, corporate governance and services. Bank Islam Malaysia Berhad clinched the top award for the category of Best Customer Service Provider, Asia in recognition of its exceptional customer service offerings.

The Banker - Bank of the Year, Malaysia (2010, 2012, 2014)

Considered amongst the most significant awards due to its world-wide coverage, with over 500 individual submissions each year from banks based in 150 countries. The judges were impressed by CIMB's significant digital banking expansion through innovative products that include "Octosend", "CIMB Kwik" and "Plug n Play".

Euromoney Private Banking Survey – Best Private Banking Service, Malaysia (2014)

The survey is an internationally recognised review of the best services in private banking, by region and by areas of service. It is based on peer nominations and takes into account the bank's financial performance, growth and scope of segment-specific financial products and services offered.

StarMine Asia Industry Analyst Award (2013, 2014)

The award recognises analysts who have shown outstanding performance either as stock pickers and/or earnings estimators during the financial year. For this award, AFFIN won the top stock picker for healthcare, food, household and personal products, consumer goods and services.

IFR Asia Awards - Islamic Issue Category (2014)

International Financing Review (IFR) Asia evaluates the most impressive deals and the institutions that have best delivered on their chosen strategy across Asia's financing markets over the span of 12 months. MBSB was awarded the Islamic Issue of the Year for its RM495m covered sukuk deal which was the world's fist covered Shariah compliant securities to be back by receivables.

TELECOMMUNICATIONS

Telekom Malaysia and Axiata are improving the Nation's telecommunications by introducing new technologies such as high-speed broadband (TM) and mobile access connectivity/solutions (Axiata) for customers to stay connected to family and friends.

Frost & Sullivan Asia Pacific ICT Award - Best Telecom Group (2009, 2010, 2011, 2012, 2013, 2014)

The Frost & Sullivan Asia Pacific ICT Award recognises companies that have demonstrated outstanding performance in the ICT industry for the Asia Pacific region. Axiata has repeatedly won the Best Telecom Group category outperforming its regional peers and delivering outstanding performance with strong growth in highly competitive markets.

Frost & Sullivan Asia Pacific ICT Award – Fixed Broadband Service Provider of the Year (2012, 2013, 2014)

The Frost & Sullivan Asia Pacific ICT Award recognises companies that have demonstrated outstanding performance in the ICT industry for the Asia Pacific region. TM has repeatedly won the award for its fixed broadband products, namely UniFi and Streamyx, which have demonstrated remarkable growth in terms of its subscribers and revenue in 2012, 2013 and 2014.

AVIATION

MAHB builds, operates and maintains airports (e.g. the recently opened klia2); while MAS provides the Malaysian Hospitality when customers fly the skies.

The Skytrax World Airports Awards – World's Top 5 Best Airport (40-50 million passengers per annum category) (2013, 2014, 2015)

The Skytrax World Airports Awards is one of the most coveted and prestigious quality accolades for the global airport industry. KLIA ranked as one of the leading international airports around the globe, alongside other well-known airports such as Incheon International Airport, San Francisco International Airport and Shanghai Pudong International Airport.

The Skytrax 5 Star Airline Award (2006, 2007, 2009, 2012, 2013)

The Skytrax World Airline Awards are the global benchmark for airline excellence. The winners are decided by 18 million travellers, from over 160 countries, who take part each year in the world's largest independent passenger satisfaction survey. The exclusive top-tier 5-star rating is the most coveted of all the award categories.

Separately, MAS came sixth in the World's Best Airlines Category in 2008; while in 2011, MAS was awarded the Staff Service Excellence for Asia and World's Best Economy Class

ENERGY AND UTILITIES

TNB ensures its customers' homes have constant access to electricity by continuously improving its infrastructure and services

Contact Centre Association of Malaysia (CCAM) - Gold Award for Customer Relationship Management (CRM) Implementation in Contact Centres (2011)

The annual CCAM Awards acknowledges best practices in the customer service and contact centre industry. The Gold Award for CRM implementation was awarded to TNB for its improvement in customer services through TNB's dedicated call management centre, "TNB CareLine", which is effectively enabling more customers to reach out to TNB.

AUTOMOTIVE

Sime Darby and UMW distribute cars from reputable brands such as BMW, Ford, Toyota and Perodua into the market, providing customers with choice and reliable cars. Perodua and Toyota are respectively the top selling local and foreign car brands in Malaysia, collectively capturing approximately 44% market share of cars sold in 2014.

Wall Street Journal Asia – Top 5 most Admired Companies (2009)

The survey conducted by Wall Street Journal involved a total of 2,622 executives and professionals who looked at 200 companies in Asia based on five key leadership criteria including the company's innovativeness in responding to customer needs and the quality of products and services.

PROPERTY

MRCB, Sime Darby and UEM develop quality townships and homes for their customers.

FIABCI Prix d'Excellence Awards - World Gold Winner for Sustainable Development Category (2014)

The FIABCI Prix d'Excellence is awarded by the FIABCI International Real Estate Federation, a network of more than 60 member countries and 120 professional organisations worldwide. It ranks among the most prestigious global real-estate awards and honours projects that reflect excellence and distinction in all real-estate segments. Platinum Sentral (a development by MRCB) was presented with this coveted award for its unique state-of-the-art design and distinctive smart green building concept.

Southeast Asia Property Awards (SEAPA) - Best Mid-Range Condo Development (2014)

A highly coveted award with only one winner selected in each category. The Véo development by Sime Darby Properties stood out for its dual-key concept (main apartment and attached studio have own entrances, share the same address and are categorised as one unit) which allows for flexible space usage, thus enhancing the units' versatility in terms of residential and commercial functionality.

FIABCI Prix d'Excellence Awards – Best Master Plan (2012)

Nusajaya (a development by UEM), one of the five flagship zones of Iskandar Malaysia received global recognition when its Master Plan won the prestigious FIABCI Prix d'Excellence Awards in 2012. It was awarded by the FIABCI International Real Estate Federation, a network of more than 60 member countries and 120 professional organisations worldwide, based on a set of criteria, which includes architecture, development, environmental impact, financials and marketing. The Master Plan Category is awarded to the best development concept plan that has been approved by the authorities.

PHARMACEUTICALS

CCM and Boustead continue to research and develop pharmaceutical products that improve the health of their customers.

Frost & Sullivan Malaysia Excellence Award for Pharmaceutical Company of the Year (2014)

The Malaysia Excellence Awards recognises companies who are driving innovation and setting best practices across various industries in the Malaysian market.

TH PLANTATIONS BERHAD   Boustead Holdings Berhad

PLANTATION

Sime Darby, TH Plantations and Boustead produce palm-oil derivatives that are used to manufacture a wide variety of products, from cosmetics to edibles. Boustead and TH Plantations have been recognised by the Edge Billion Ringgit Club for the Best Performing Stock Award and the Top 2 Most Profitable Sector respectively.

Leaders by nature are innovators, at the forefront of creation and experimentation. For example, in Maybank, we utilise "Big Data" to develop new customer value propositions and channel strategies based on our customers' preferences - improving our ability to tailor financial products according to customer needs and improving their quality of life

Datuk Abdul Farid Alias
CEO, Malayan Banking Berhad

Source: G20 submissions to PCG Secretariat, PCG Secretariat analysis

4.2 Benefits To Employees

GLCs are some of the largest employers in the country, with G20 employing a total of 373,627 employees in 2014.

GLCs are providing benefits to employees through competitive compensation, investing in professional development as well as creating safe and conducive work environments. GLCs have won numerous employer awards for their efforts and employee engagement surveys (EES) have shown high engagement amongst its employees.

1. *A Sime Darby plantation worker at work*
2. *UMW's Manufacturing and Engineering division employees*
3. *THP's plantation supervisors and workers*
4. *A receptionist at a MBSB branch*
5. *UEM workers repairing highway barriers*

3

4

5

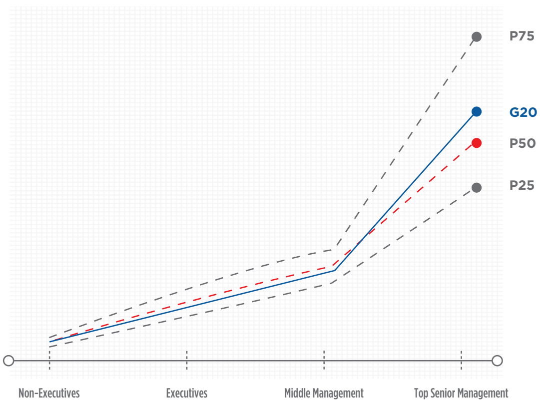
A. Providing Competitive Compensation

GLCs provide competitive compensation to their employees. A recent benchmark of wages conducted by Towers Watson in 2014 indicates that G20 pays approximately at the 50th percentile of public listed companies in Malaysia, in terms of average employee wages across all employment levels (see Exhibit 4.2.1).

Furthermore, G20 average wage growth has outpaced the Malaysian inflation rate by an average 4.3% p.a. showing real wage growth (see exhibit 4.2.2).

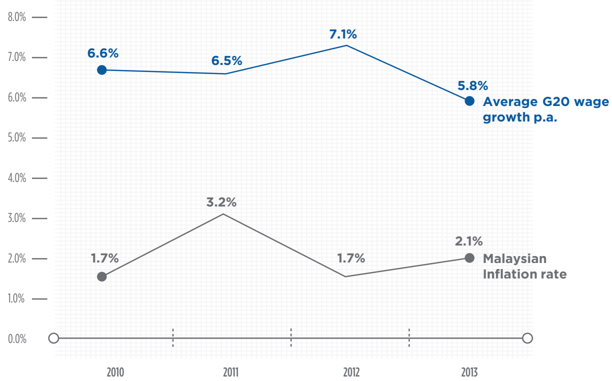
Both these factors contribute to a steady increase in disposable income for G20 employees, translating to greater financial security and better quality of life for its employees.

EXHIBIT 4.2.1: G20 AVERAGE WAGES VS AVERAGE ACROSS EMPLOYMENT LEVELS (2014)



Source: Towers Watson, PCG Secretariat analysis

EXHIBIT 4.2.2: G20 AVERAGE WAGE GROWTH VS MALAYSIAN INFLATION RATE



Source: Department of Statistics Malaysia (DOSM), G20 submissions to PCG Secretariat, PCG Secretariat analysis

B. Investing in Professional Development and Providing Career Progression

GLCs provide opportunities for growth to their employees, through investing in professional development and providing options for career progression.

GLCs are supporting their employees' growth through:

1. Increasing investments in training and development
2. Providing more exposure through job movements
3. Providing leadership development as part of succession planning efforts
4. Upskilling non-executives through upward mobility schemes (UMS).

Increasing investments in training and development

From 2004 to 2014, G20 invested RM4 billion in training and development of their employees.

G20 investments in training and development have been increasing over the years. In 2014, G20 invested RM543 million in training and development compared to RM204 million in 2004.

Providing more exposure through job movements

GLCs are providing opportunities for job movements to its employees. Job movements refer to the relocation of employees to a different department/business unit/competency group or geographical location (e.g. secondments, talent exchange, etc.). Job movements provide exposure to GLC employees to develop different skills and competencies while gaining better understanding and knowledge on the entire business operations.

Providing leadership development as part of succession planning efforts

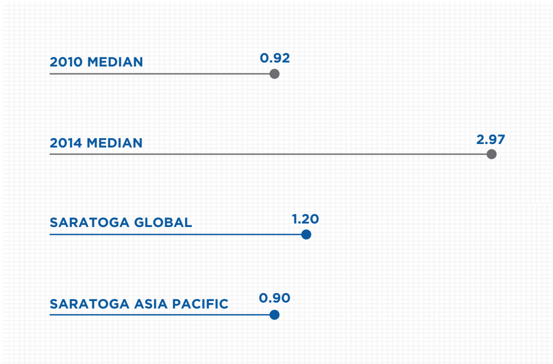
GLC employees are also given more leadership development opportunities as GLC improve at identifying future leaders for succession planning. In an effort to address the leadership gap and promote leadership development opportunities, the "GLC Talent Exchange Programme" was launched in June 2008. The second cycle of the programme in 2009 was renamed to "Cross Assignment Programme" and "Cross Fertilisation Programme", with the former covering cross-GLC exchange and the latter covering GLC-Government exchange.

Findings from the 2014 G20 Leadership Development Audit (LDA[1]) showed that the number of successors in mission-critical positions (MCP) has increased from 1 successor per MCP in 2010 to 3 successors per MCP in 2014, which is also higher than the Saratoga[2] Asia Pacific and Global average (see Exhibit 4.2.3).

***RM4 billion** invested from 2004 to 2014 by G20 in training and development of their employees*

***RM543 million** invested in 2014 by G20 in training and development compared to RM204 million in 2004*

EXHIBIT 4.2.3: NUMBER OF SUCCESSORS PER MISSION CRITICAL POSITIONS (2010 VS 2014)



Source: Leadership Development Audit (LDA) 2014

GLCs need to adopt proper mechanisms for succession planning, especially for key positions such as CEO. All of this will work towards creating more talent in line with GLCs' aspiration to become a talent factory.

Tan Sri Ismee Ismail
CEO, Lembaga Tabung Haji

[1] The Leadership Development Audit (LDA) was an assessment done every 2 years beginning 2006 that assesses the level of implementation of the Orange Book guidelines on strengthening leadership development by G20.

[2] PwC's Saratoga database which contains HR performance related metrics for more than 40% of FTSE 100 and Fortune 500 companies was used as a benchmark to measure the number of successors per mission critical positions of G20.

Upskilling non-executives through upward mobility schemes

Non-executives make up 57% of the G20 Malaysian workforce and play a significant role in G20's business operations. As such, particular focus is given to upskill non-executives and support their career progression. Such efforts came in the form of Program Majudiri 1Malaysia (PR1ME) which was launched in 2013 by PCG.

PR1ME aims to give non-executive staff professional development opportunities within their organisations through three major areas of focus:

1. **Development opportunity programmes**
   Training and development, skills certification and upgrading, and further educational opportunities

2. **Performance upgrading processes**
   Multi-skilling and skills diversity, self-development and special assignments, and performance improvements

3. **Career progression platforms**
   Job and career progression/promotion opportunities, potential and promotion assessment and higher remuneration and recognition

3,781 non-executives have been enrolled in the various G20 upward mobility schemes (UMS) since the launch of PR1ME in 2013.

911 non-executives were promoted to executives in 2014.

For sure, we have been implementing UMS in TM for a long time. It is not an uncommon sight to have three generations working for TM - the grandfather as a driver, the father a technician and the son is now an executive. TM is not merely an employer, it is an institution.

Tan Sri Datuk Dr. Sulaiman Mahbob
Chairman, Telekom Malaysia Berhad

3,781
G20 non-executives have been selected for various upward mobility schemes since the launch of the programme in 2013

911
G20 non-executives promoted to executives in 2014

The GLCT Programme creates benefits for all its stakeholders, contributing to the "big picture" of creating a better tomorrow for the Nation's future leaders, beyond commercial gains. For example, an organisation's creation of real value will cascade down to its employees through better remuneration and in turn a higher quality of life - pushing Malaysia closer to Vision 2020.

Tan Sri Dr. Ali bin Hamsa
Chief secretary to the Government

C. Providing conducive work environments

Work-life practices

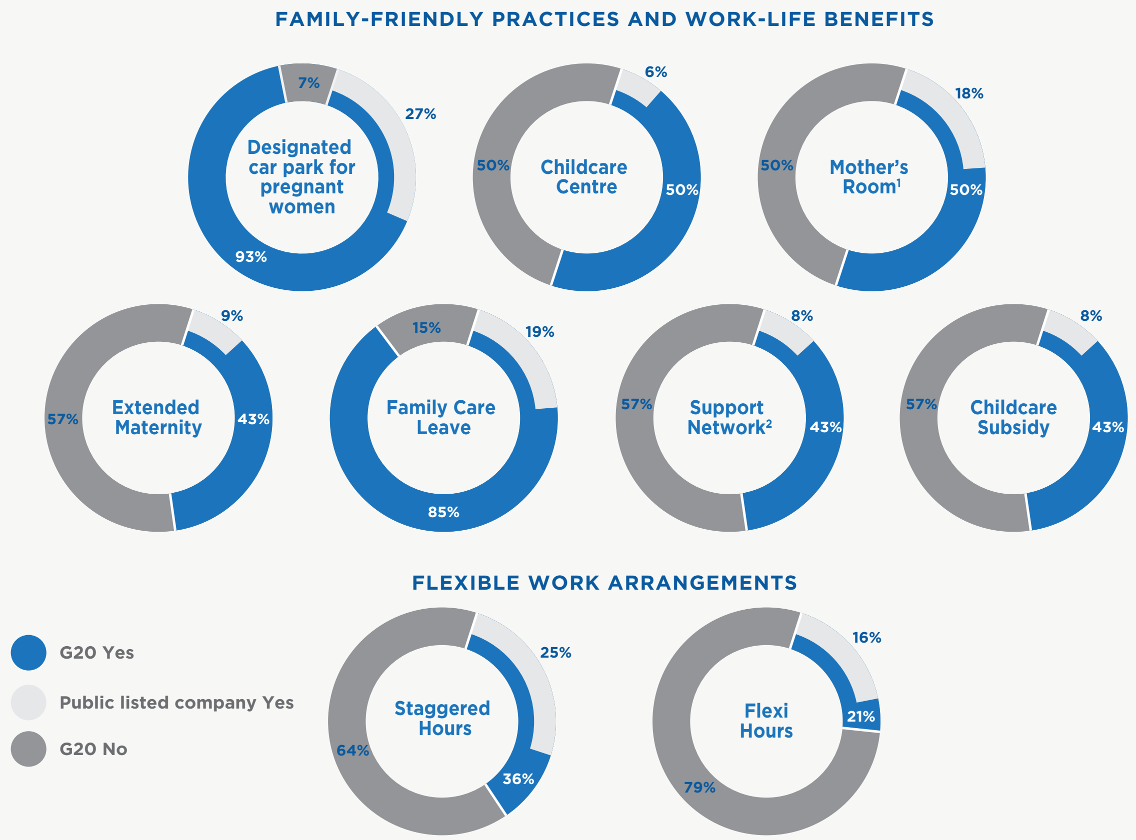
GLCs are promoting work-life practices to contribute towards a better quality of working life for employees as well as create a supportive environment for employees to manage family and work responsibilities.

The work-life practices include:

- *Family-friendly facilities* at the workplace (e.g. designated car park for pregnant women, mothers' room for feeding babies and child care centres)
- *Flexible work arrangements* (e.g. shift swapping, project-based work, staggered hours, seasoned work, leaving early from work, flexi hours, reduced/ part time work, telecommuting, job sharing and virtual work); and
- *Work-life benefits* (e.g. paternity leave, study/exam leave, sabbatical leave, family care leave, extended maternity leave, childcare subsidy and support network).

A recent study by TalentCorp found that G20 has better family-friendly facilities and work-life practices compared to other public listed companies in Malaysia and it is just beginning to implement flexible work arrangements (see Exhibit 4.2.4).

EXHIBIT 4.2.4: ADOPTION OF WORK-LIFE PRACTICES AMONGST G20 COMPARED TO OTHER MALAYSIAN PUBLIC LISTED COMPANIES



Source: TalentCorp Diversity in the Workplace Study, September 2013, PwC Malaysia, G20 submission to PCG Secretariat

[1] Mothers Room refers to designated rooms for mothers to use for breast-feeding, expressing or temporarily storing breast milk.

[2] Support Networks refer to networking or mentoring programmes with a common focus, e.g. professional women, executive leaders, pre-maternity mothers and post-natal mothers returning from their maternity leave.

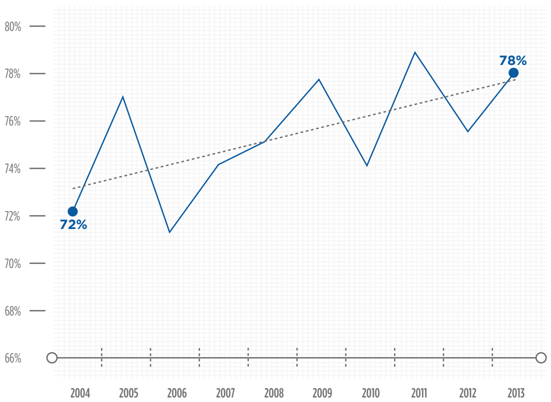
D. GLCs are recognised for the benefits they provide to employees

In recognition of benefits they provide to employees, GLCs have won numerous employer awards (see Exhibit 4.2.5) and employee engagement surveys (EES) have shown high engagement amongst its employees.

G20 EES conducted between 2004 and 2013 indicate that G20 employee engagement is on a general uptrend (see Exhibit 4.2.6). G20 has a high level of engagement amongst its employees where the average G20 employee engagement index was 78%[1] in 2013, topping the national average of 53%[2] in the same year.

Exhibit 4.2.7 highlights some personal accounts from G20 employees on their positive work experiences.

EXHIBIT 4.2.6: TREND IN G20 EMPLOYEE ENGAGEMENT INDEX FROM 2004 TO 2013



Source: G20 submissions to PCG Secretariat, PCG Secretariat analysis

EXHIBIT 4.2.5: SELECTED G20 EMPLOYER AWARDS WON

Government of Malaysia - 1 Malaysia Employer Awards (GLC) (2014)

HR Asia – Best Companies to Work for in Asia Awards (2014)

GTI Media - Most Popular Graduate Employer for Manufacturing, Chemicals and Heavy Industries (2014)

HR Asia – Best Companies to Work for in Asia Awards (2013)

Malaysia HR Award - Employer of Choice; Silver (2013)

GTI Media - Graduate Employer of the Year - First Place (2014)

Aon Hewitt – Global Aon Hewitt Top Companies for Leaders (2014)

Employer Branding Institute - Asia Best Employer Brand Awards (2014)

GRADUAN – Graduan Brand Awards Top 10 Most Preferred Employers in Malaysia (2013)

Source: G20 submissions to PCG Secretariat, PCG Secretariat analysis

Human capital is a very important factor to a company's success. Therefore, it is essential for GLCs to manage their talent pool properly and increase their employees' capabilities.

Tan Sri Leo Moggie
Chairman, Tenaga Nasional Berhad

[1] Calculated based on a simple average of employee engagement index scores of G20 companies that conducted emloyee engagement surveys in 2013
[2] Aon Hewitt, Best Employers Malaysia, 2013

EXHIBIT 4.2.7: SELECTED PERSONAL ACCOUNTS OF WORK EXPERIENCES FROM GLC EMPLOYEES

Progress through upward mobility

YUHANIS YUSOF
Manager, Sime Darby
(25 years)

I began my career with Tractors Malaysia, Sime Darby as a Technician for Caterpillar heavy equipment upon completing a certification programme with the Jabatan Bekalan Elektrik. After 5 years, I was promoted to an Executive position to develop and administer technical training programmes for Tractors Malaysia Training & Development Center.

I steadily moved up the ranks from training technician to setting up efficiency standards in Service Operations, to streamlining the Specialisation Center by implementing 5S best practices.

I then went on to lead a team of 30 personnels to turn around the operations of Sime Darby Industrial Service Department in the Johor Bahru region, achieving 15% growth rate within 3 years.

I am currently a Technical & Warranty Manager, leading the Technical & Warranty, EM Solution and Technical Training Team at the Sime Darby Industrial Head Office. Among the awards that I have helped contribute to are the Achieved Bronze Dealer Award in Caterpillar Global Warranty Excellent Programme in 2014 and the EM Solution Best Dealer Capability Award in 2012.

Entering a fast moving and dynamic environment

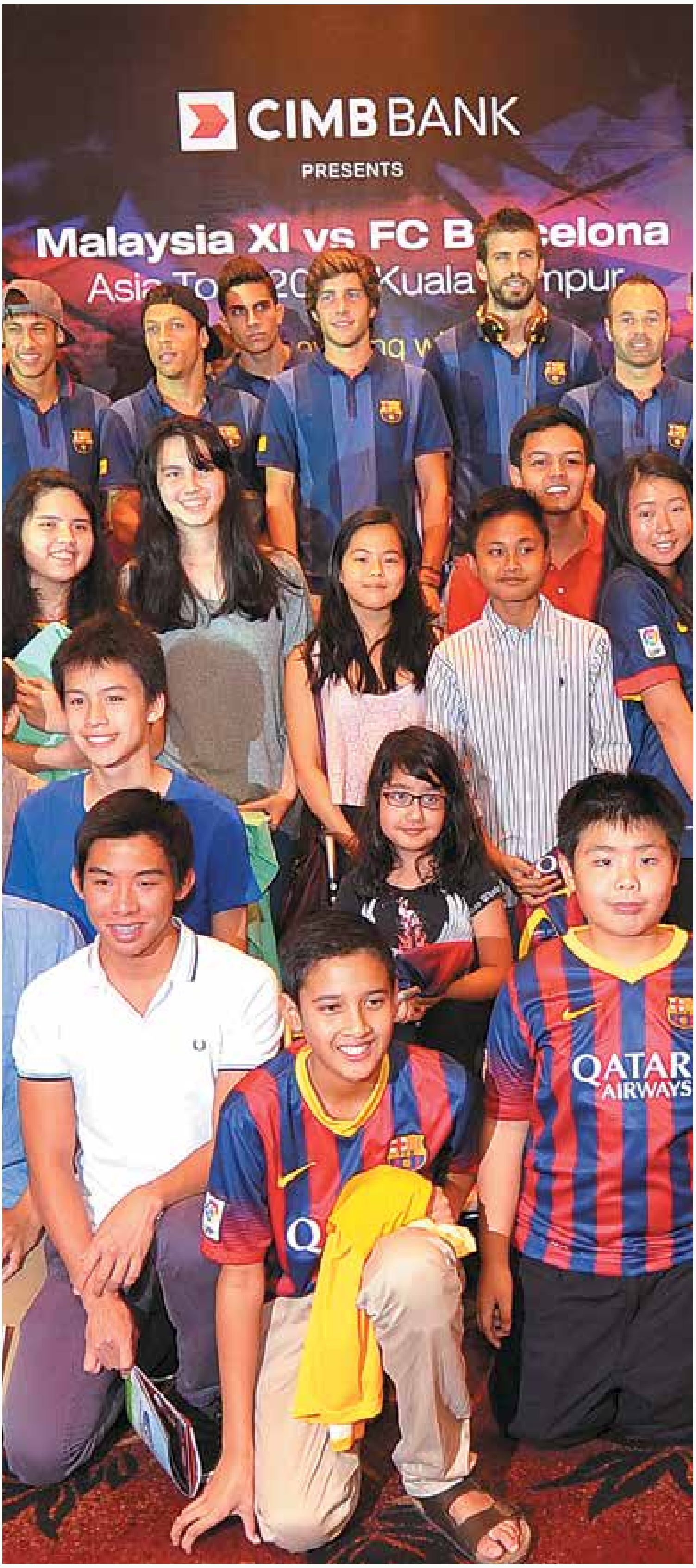
Three years ago, I was approached by CCM for an interview. At the time, I almost declined the offer. However, attending the interview has been one of the most rewarding decisions I have ever made.

Right from the start I was humbled that the Director of the Pharmaceuticals Division himself interviewed me for a trainee position. I was recruited into the first batch of the Graduate Trainee Programme in October 2012. After a week of induction sessions, I was placed into the Business Development Department of CCM Pharmaceuticals Division. As a trainee, I was eager to learn more about the company, the industry and working life in general.

Business Development is a dynamic and fast moving department. There is always something new to learn everyday. I had to work with a lot of different people such as guests from partner companies, Government officials, vendors, doctors, nurses and consultants. Through these interactions, I managed to grow out of my introverted shell and found that I enjoy meeting new people and learning different perspectives. Managing projects is no walk in the park but I was able to grow, learn and improve myself from the challenges in order to perform better for my next assignments.

I am grateful to have been enrolled under CCM's Graduate Trainee Programme as I got the chance to learn and offer my services to conduct projects which would not only benefit the company but the health of all Malaysians.

NIDA ASNIDA
Business Development Executive, CCM
(3 years)



CIMB one of the main sponsors to organise Barcelona FC playing an exhibition match in Kuala Lumpur

A challenging but rewarding training experience

CIMB

RADIN FAIZAL ARIF RADIN BAIDRUL IKRAM
Commercial Relationship Manager, CIMB
(3 years)

"You're a management trainee, Radin. You can do this!" These were the first few words my supervisor gave when he assigned his first task to me. Being a management trainee, I had to operate on a different level, often outside my comfort zone, to higher standards, to learn faster, to go the extra mile. The result was better growth on an individual level and, more significantly, allowed me to better contribute to the organization.

From the get go, ample exposure was given from one-on-one sessions with senior managers to social meetings with management trainees from other parts of the bank. That gave me both a level of depth and breadth across many facets of the bank and a better idea on the direction of the business as a whole. It gave me a sense of where the bank is heading from the very people who lead it.

The management trainee program has given me greater clarity on not just my personal goals but also my strengths and how they can be further enhanced and leveraged within the bank. Today, I am a commercial relationship manager, an exciting role I decided on, following continued support and mentorship from the programme's counsellors. In times of need, I am always able to call on fellow colleagues. It is not enough to know and believe "You're a management trainee, Radin. You can do this," but to be equipped to actually do more, that is equally as significant.

EXHIBIT 4.2.7: SELECTED PERSONAL ACCOUNTS OF WORK EXPERIENCES FROM GLC EMPLOYEES (CONT'D)

Personal growth through learning and development opportunities

15 November 2010 marked the first day of my employment with Syarikat Takaful Malaysia Berhad[1] (Takaful Malaysia) as a Manager in the Certificate Servicing Department. I am truly glad to have made the right decision as the company provides a conducive environment for employees with great learning, exposure and development opportunities to grow professionally.

During the early years of my tenure at Takaful Malaysia, I was exposed to tremendous job development opportunities including coaching and mentoring from the superiors, collaboration with experts from other departments as well as unlimited access to the network of information. In addition, the formal and informal mentoring programs practised in the company also contributed towards my professional career development.

Attending various soft skills and product training as well as leadership courses paved the way for me to carry out my responsibilities in an efficient and effective manner especially when I was promoted to a Senior Manager.

I truly value the experience and knowledge that I have gained in Takaful Malaysia and I strongly believe that in today's competitive yet challenging working environment, we must pursue ongoing professional executive development to grow.

TAN YEN NEE
Senior Manager, BIMB
(5 years)

[1] BIMB Holdings Berhad is the majority shareholder with 60.3% stake in Takaful Malaysia

MAHB workers repairing the skybridge at one of the terminal in KLIA. MAHB was awarded the Malaysia HR Award - Employer of Choice; Silver (2013)

A pleasant learning and development opportunity

MALAYSIA AIRPORTS

MUHAMMAD FARIZ-QISTI MOHD TAKWIR
Manager, MAHB
(8 years)

The entry into the aviation industry was accidental but it has been a pleasant surprise. I joined Malaysia Airports under the Transformation Management Office (TMO) back in 2006. MAHB gave me an opportunity beyond any of my expectations. It was eye opening and indeed a great experience. As a young executive, I was able to work with experienced senior management which helped me gain global exposure especially within the Airport Operators community.

The emphasis on learning and development opportunities by Malaysia Airports has also helped me grow professionally .One of my most memorable achievements was being elected as a member of the Airport Council International (ACI) Asia-Pacific Region's Economics and Finance Committee.

The overall experience greatly helped my career advancement. I was promoted to Senior Executive with Corporate Strategy in 2009. Currently, I am a Manager at the Research and Planning division. The opportunities I have experienced with MAHB have been invaluable to me.

4.3 Benefits To Vendors And Suppliers

GLCs have been benefitting their vendors and suppliers by providing them with business opportunities, running vendor development programmes (VDP) and enhancing their procurement practices.

The number of suppliers that G20 does business with was 66,583 in 2014. In 2014, G20 awarded RM98.2 billion worth of business to its suppliers.

Successful GLICs and GLCs should embark upon mentor-mentee programmes to help build capacity of other companies; this could lead to the creation of other success stories. Since they have the experience and learning curve, this could be put to good use to expedite the transformation of other companies, such as vendors

Dato' Fauziah Yaacob
Deputy Secretary General of Treasury (System and Control), Ministry of Finance

RM98.2 billion
worth of business awarded to suppliers from in 2014

66,583 suppliers
provided with business opportunities by G20 in 2014

2

3

Vendor Development Programmes

VDPs help build the capabilities of local vendors to compete in local and regional markets. As they develop, these vendors contribute in return to GLCs by providing better quality products, more efficient services, and reducing GLCs' dependency on imported goods.

The programmes typically involve providing vendors, with business opportunities and include development elements such as technical training, process and product improvements, research and development (R&D) support and others. Potential vendors for VDPs are identified through a selection process which assesses a vendor's financial health, management capability, business and shareholder track records and quality of business plans to ensure that genuine and capable vendors are selected. Once enrolled, vendors are periodically assessed to ensure that expectations (e.g. price performance, product quality, service levels, turnaround time, etc.) continue to be met.

Currently eight[1] of the G20 companies have formal VDPs (see Exhibit 4.3.1 for short descriptions of each VDP). Their programmes benefitted 1,307 participating vendors in 2014. In 2014, these eight companies invested RM1.8 billion in their VDPs. 82 vendors graduated from G20's VDPs from 2004 to 2014.

RM1.8 billion
spent on G20 VDPs in 2014

1,307 vendors
benefitted from participating in G20's VDPs in 2014

82 vendors
graduated from G20's VDPs from 2004 to 2014

1. *A VDP roundtable discussion conducted by Boustead's subsidiary, Pharmaniaga, in 2014*
2. *Addressing issues on procurement at a Red Book Circle meeting*
3. *"Pro Biz: Your Business, Your Life" training for vendors as part of CCM's vendor development programme*

[1] Axiata, Boustead, CCM, Sime Darby, TM, TNB, UEM and UMW

EXHIBIT 4.3.1: BRIEF DESCRIPTION OF G20'S VDPs

Axiata Group Berhad
Axiata's VDP is implemented by its subsidiary Celcom. It is a systematic development programme designed to nurture and develop Bumiputera entrepreneurs in terms of knowledge, skill and networking. The VDP aims to build partners in anxiciliary functions of the telecommunication industry such as sales, marketing, network engineering, IT and billing.

Boustead Holdings Berhad
Boustead implements its VDP through its two subsidiaries, Pharmaniaga Berhad and BN Shipyard Sdn Bhd. Pharmaniaga's VDP aims to provide assistance in the areas of manufacturing improvement, financial assistance and human capital development in the pharmaceutical industry. BN Shipyard's VDP is designed to develop long-term strategic partnerships and create a pool of successful vendors with capabilities in the fields of ship building and ship repair activities, as well as the supply and manufacturing of maritime defence related products.

Chemical Company Of Malaysia Berhad
CCM's VDP is established to support the Government's efforts to create a "Bumiputera Commercial and Industrial Community" (*Masyarakat Perniagaan dan Perindustrian Bumiputera*) by developing Bumiputera vendors who are capable in supplying quality goods and services competitively . Vendors will be provided training in specific industries where CCM has extensive experience namely Pharmaceuticals, Chemicals and Fertilizers as well as Halal Pharmaceuticals.

Sime Darby Berhad
Sime Darby's VDP is aimed at assisting Bumiputera Vendors develop their capabilities and competitiveness in the local and global markets through performance-based management, which in the long term will benefit Sime Darby by providing sustainable supply of quality and competitively-priced products and services. The VDP is mainly targeted in strategic spend areas whereby Bumiputera participation is currently lacking such as in the transportation services and property construction sectors.

Telekom Malaysia Berhad
TM's VDP is designed to support the Government's efforts to develop competitive, sustainable, high-performing Bumiputera vendors particularly in the Information, Communication and Telecommunication (ICT) industry. It also aims to support the development of local capabilities in the ICT sector, promote the usage of local content and home grown technology as well as promote R&D in products and services that are useful for TM and its subsidiaries.

Tenaga Nasional Berhad
TNB's VDP aims to grow the capabilities and businesses of its participating vendors to enable them to compete and sustain in the market, have the ability to produce new products, and to be capable of entering new markets and regions. Vendors will properly undergo technical and business enhancements to meet TNB's objectives.

UEM Group Berhad
UEM's VDP is aimed at establishing and developing successful Bumiputera entrepreneurs that are competitive and resilient. The programme aims to increase the participation of Bumiputera vendors and capabilities in the supply chain, particularly in the field of engineering, construction, property development, construction and maintenance of facilities and highways. The long term aim is to develop vendors into becoming UEM's "Preferred Vendors" and eventually, UEM's "Anchor Strategic Partners".

UMW Holdings Berhad
UMW's VDP is designed to develop selected Bumiputera companies to be competitive. The aim of the programme is to progressively transform these vendors to become large scale companies and be independent of UMW for contracts. Vendors are trained in a wide variety of capabilities with particular emphasis on industrial manufacturing.

Source: G20 submissions to PCG Secretariat, PCG Secretariat analysis

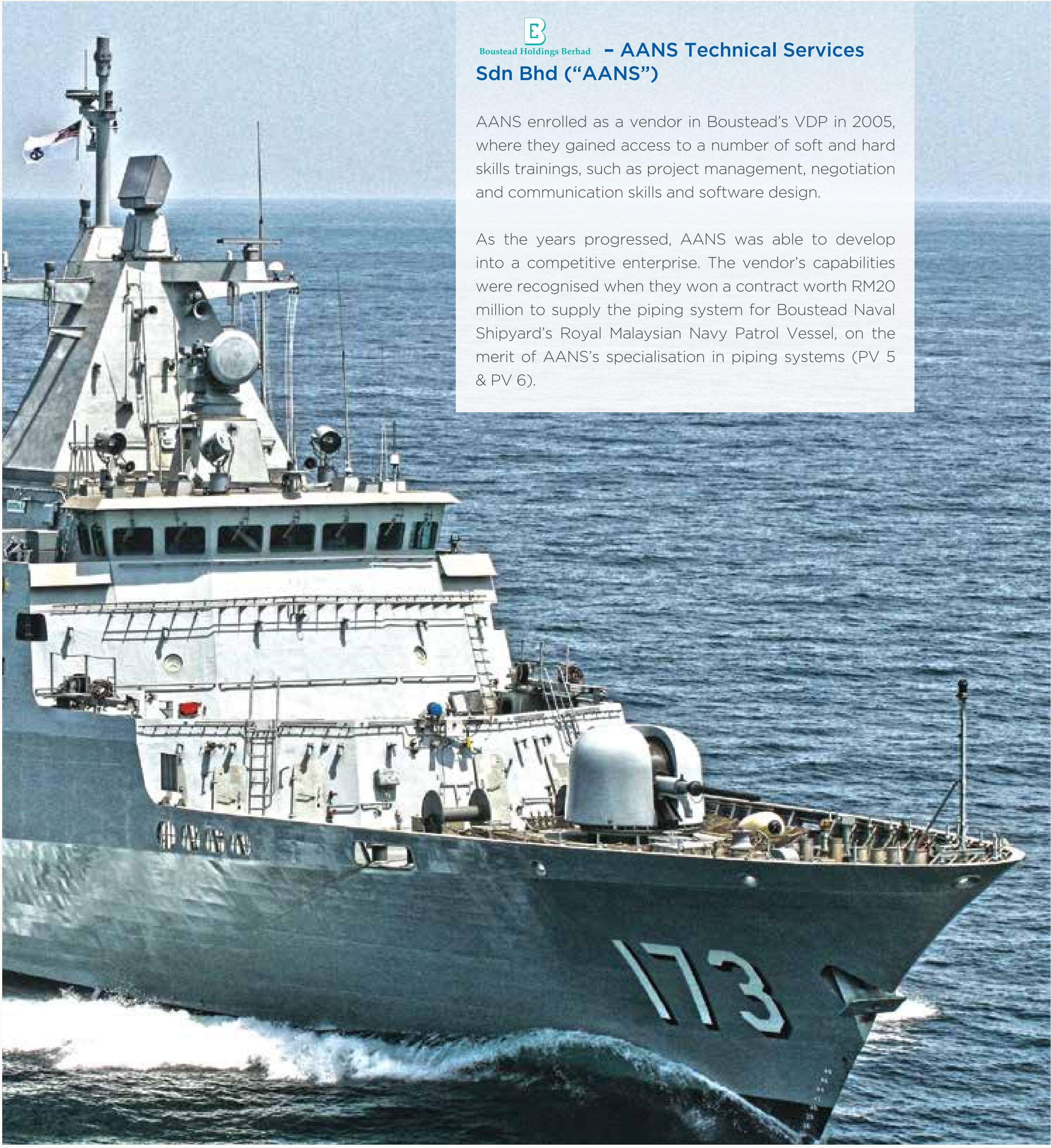
The efforts made by GLCs to upskill their vendors have resulted in many success stories, with some highlighted in Exhibit 4.3.2.

EXHIBIT 4.3.2: SELECTED VENDORS' SUCCESS STORIES

Boustead Holdings Berhad – AANS Technical Services Sdn Bhd ("AANS")

AANS enrolled as a vendor in Boustead's VDP in 2005, where they gained access to a number of soft and hard skills trainings, such as project management, negotiation and communication skills and software design.

As the years progressed, AANS was able to develop into a competitive enterprise. The vendor's capabilities were recognised when they won a contract worth RM20 million to supply the piping system for Boustead Naval Shipyard's Royal Malaysian Navy Patrol Vessel, on the merit of AANS's specialisation in piping systems (PV 5 & PV 6).



Royal Malaysian Navy Offshore Patrol Vessel - Piping System supplied by AANS, Boustead's vendor

All Dura-Mine Products are manufactured and tested to National and International recognized standards such as SIRIM ISO 9001 and MS1058

TM – Dura-Mine Sdn Bhd

Dura-Mine Sdn Bhd first enrolled in TM's VDP in 2005, with 29 employees and 4 production lines producing various pipes at the time.

TM's VDP was instrumental in Dura-Mine's successful expansion into optical fibre cables. By enrolling in the VDP, Dura-Mine was given the opportunity to participate in various improvement programmes (e.g. LEAN, 5S, Kaizen, Innovative and Creative Circles) and strengthened its management implementation and processes. The programme also made it possible for Dura-Mine to increase its R&D efforts and expand its product portfolio.

Due to the high technological content of the base product, Dura-Mine is strategically positioned to meet the high demand for the product in Malaysia as well as throughout ASEAN and the global market.

The company has since grown significantly – expanding its workforce to 50 employees, increasing its machinery capacity to 10 production lines and diversifying to other products.

There is a huge need to develop competitive and capable Bumiputera supply chains. We need to ensure continuity in building more Bumiputera companies and ensure both quality and quantity of Bumiputera companies continue to grow

Tan Sri Abdul Halim Ali
Chairman, MBSB

TENAGA NASIONAL - Indkom Engineering Sdn Bhd

Indkom Engineering Sdn Bhd ("Indkom") was one of the pioneer companies that joined TNB's VDP program in 1994 with 15 employees and an annual turnover of six million. TNB provided a strong platform for Indkom to grow by offering opportunities to manufacture medium voltage switch gears in Malaysia. Through the VDP, Indkom was awarded various tenders for projects involving all ranges of products, human capital development in implementing good manufacturing practices, and knowledge sharing in terms of product improvement.

With the assistance provided by TNB's VDP, Indkom transformed into a successful company with consistent sales growth of 30% per year. Continuous support from the VDP also allowed Indkom to penetrate into new markets abroad such as Saudi Arabia with mass production expected to commence in 2016. Indkom was recently named a strategic partner for TNB and has grown into one of the leading manufacturers of medium voltage switchgears in Malaysia.

One of TNB's powerplants - Indkom manufactures medium voltage switch gears used by TNB

Bank Islam's new corporate headquarters on Jalan Perak, Kuala Lumpur

4.4 Benefits to Society

Companies often contribute to community-based organisations, such as charities, non-profits, non-governmental organisations (NGOs) and social enterprises, and engage in CR initiatives to help address a range of social and environmental issues in the communities where they operate.

GLC's CR initiatives can be categorised into:

- **GLCT Programme CR Initiatives:** Nation-wide CR initiatives that have been created by the GCLT Programme
- **Company-driven CR initiatives:** CR initiatives that are designed and implemented by individual GLCs

Over the last decade, GLICs and G20 spent at least RM6.0 billion on CR initiatives and endowments with the aim of benefitting society as a whole. Amongst others, GLC's CR initiatives cover the following areas:

A. Community well-being and development

B. Education and capacity building

C. Environment

GLICs have similarly invested in CR initiatives over the past 10 years. For instance, in 2014, Khazanah provided a RM3 billion endowment to Yayasan Hasanah, which focuses on five core areas: Education, Community Development, Environment, Arts, Heritage and Culture, and Knowledge.

The frontiers of investment now involve new measures of "returns," such as sustainability and shared value. As such, CR initiatives should be institutionalized as part of the companies' core business activities, and not seen to exist as special projects outside of core business.

Kamarul Ariffin Mohd Jamil
Group Chief Executive Officer, Affin Holdings Berhad

YAYASAN HASANAH
A foundation of Khazanah Nasional

In 2014, Khazanah provided a ***RM3 billion*** *endowment to Yayasan Hasanah*

Implementation of the Shared Reading programme, overseen by Yayasan Hazanah at Sekolah Kebangsaan Kg Layau, Johor

A. Community well-being and development initiatives

GLCT Programme community well-being and development Initiatives

Yayasan Sejahtera

Incidences of poverty among Malaysian families has dropped dramatically in the last 40 years. However, pockets of communities earning incomes below the poverty line continue to exist both in rural and urban areas. Yayasan Sejahtera (YS) was established in August 2009 to address the issue of hardcore poverty in Malaysia. It aims to ensure that vulnerable communities gain access to a basic standard of living through the creation of sustainable living environments.

YS works in rural locations in states with high poverty rates, namely Sabah, Sarawak, Kelantan, Kedah and Pahang. From 2009 to 2014, YS assisted 6,458 families through 23 projects. YS's four core modules, corresponding number of projects and beneficiaries between 2009 and 2014 are depicted below (see Exhibit 4.4.2 for selected stories of YS beneficiaries).

From 2009 to 2014, Yayasan Sejahtera assisted ***6,458 families*** *through* ***23 projects***

1 SUPPORTING SUSTAINABLE LIVELIHOODS

244 families benefitted through 7 projects

Alleviation of poverty by encouraging employment, enhancing skillsets, capacity-building, and providing access to capital for small business owners. From 2012 to 2014, YS beneficiaries have an average income level improvement of 159%.

2 SUPPORTING BASIC FOOD NEEDS

2,230 families benefitted through 2 projects

Supports the basic food needs of beneficiary families with innovative community and home-based farming on vacant plots of land around their homes. As a result of the intervention, YS beneficiaries manage to generate stable food source for their families and sell their surplus at markets (or *tamus*).

3 PROVIDING BASIC COMMUNITY SERVICES

3,946 families benefitted through 12 projects

Provides access to basic community services such as sustainable and clean water supply through the use of innovative and affordable methods

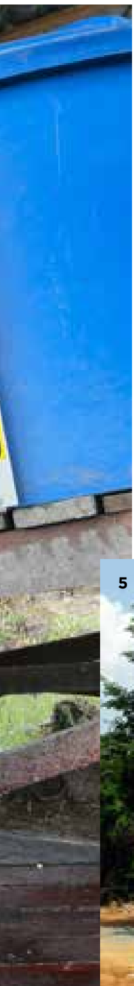
4 BUILDING/REHABILITATING HOMES

38 families benefitted through 2 projects

Addresses the lack of basic housing amenities for households in extreme poverty and makes basic repairs for their homes to reach an acceptable standard of living

Source: G20 submissions to PCG Secretariat, PCG Secretariat analysis

2



1. Small grants 2.0 project at Bachok, Kelantan
2. Water solution for 4 villages in Pulau Bruit, Sarawak
3. Library Kampung Sungai Penibong, Sarawak
4. Small Grants 2.0 at Pasir Putih, Kelantan
5. Sejahtera Housing Project at Maran, Pahang

EXHIBIT 4.4.2: SELECTED STORIES OF YAYASAN SEJAHTERA BENEFICIARIES

Rofi Ab Ghani, Pasir Puteh, Kelantan

Rofi Ab Ghani began planting tobacco in 1998. In 2009, he decided to switch to cash crops like chilli, brinjal, lady's finger and cucumber. Then in 2012, he decided to participate in Yayasan Sejahtera's Small Grant 2.0 programme. He received seedlings, fertilizers, plastic covers and pesticide and subsequently managed to improve and expand his farming efforts. Through his consistent efforts and sheer determination, he made RM10,000 selling his October harvest of chilli, brinjal, lady's fingers and cucumbers.

In 2010 during the month of Ramadhan leading up to Hari Raya Aidilfitri, he noticed that the middleman to whom he had been selling his produce was selling them at the market for double the price. He realized that he could earn more by selling his own produce at the market. He invested in his late father's van, purchased from his siblings, to transport his harvest to the market. He managed to rent a spot at the Pasar Borong RTC in Tunjong and has never looked back. Currently he sells produce from 6 other farmers in addition to his own. Through the Small Grant 2.0 programme, Rofi now receives an additional monthly income of RM2,640 on top of his previous average monthly income of RM600.

"By selling our own vegetables and helping neighbouring farmers to sell their produce at Pasar Borong RTC, we have been able to generate more income for our families."

Basri, Ketua Kaum of Kampung Sebako, Sarawak

As the village head, one of En. Basri's main concerns for his villagers is to be able to provide sufficient supply of clean water to meet their daily needs, especially during the dry season. Being dependent on collected rainwater, which is rarely enough to last even a week, usually meant they would have to go out of their way to obtain more or make do without. During drought seasons, there are times where he had to seek assistance from the Welfare Department to obtain mineral water supply for his villagers for drinking and cooking purposes.

When YS selected Kampung Sebako as the recipient for the installation of the rain water harvesting system, it brought relief to En. Basri and his villagers as they would no longer have to worry about insufficient water supply, which consequently improved their quality of life.

"I would like to thank YS for all their assistance. As the Ketua Kaum of Kampung Sebako, I will continue in my efforts to raise the standard of living in this community till my last breath."

Mastupang Somoi, Pitas, Sabah

November 2013 marked a major milestone in the life of En. Mastupang Somoi as he began planting sweet corn and chillies on his 2.5-acre land as one of the participants of YS' Community Development Programme. With a successful first cycle, he used the harvested corn and chilli for his family's consumption and managed to sell the surplus from a stall set up by the road in front of his house. The remainder was saved as seedling for the next planting cycle.

Having three grown children to pitch in with the work proved helpful. En. Mastupang is now in charge of his time, efforts and activities, which also means he is fully in charge of the outcome. He deeply appreciates this opportunity as he has been working for others his whole life, prior to this programme.

"Farming is a business. I will continue to work hard in making my family business a success."

Hasnah Juin, Kampung Song Song, Sabah

Puan Hasnah and her 2 daughters, Arpah and Asiah are among the few female participants of the Kampung Song Song Livelihood project. They work on their hilly 6-acre land and together, have overcome many challenges such as drought, diseases and foraging monkeys that affected their crops. The thought of giving up has never entered their minds despite the difficulties and challenges they have faced.

The three women undertake all the tasks themselves, from land clearing to planting and tending to the crops everyday. As of December 2013, they have managed to retain 2000 ginger trees from 3900 ginger seedlings provided in May 2013, as well as 158 brinjal trees. In the months of October till December, they harvested their first cycle of brinjals for their own consumption, and even managed to sell the excess harvest in the nearest *tamu* (market) for an average additional income of RM110. Puan Hasnah is determined to plant all the seedlings provided to her family, not wanting to waste any of it and ensuring they succeed in their efforts.

"My daughter and I work the land ourselves, from the clearing to planting and harvesting. It is hard work, but the results are worth the sweat and tears."

GLC Disaster Relief Network

The GLC Disaster Relief Network (GDRN) was launched in November 2014 to serve as a platform for GLICs and GLCs to ensure a coordinated and effective approach in providing disaster relief for the nation.

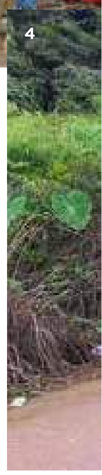
During December 2014's East Coast floods, GDRN extended emergency, recovery and rehabilitation support amounting to RM45 million, reaching 25,000 families. Apart from monetary contributions, a total of 2,524 volunteers from GLICs and G20 participated in GDRN's relief efforts. Various NGOs and other government agencies such as, Mercy Malaysia, Malaysian Red Crescent Society and Majlis Keselamatan Negara, also supported GDRN in their relief efforts.

The disaster relief support was deployed in the main locations affected by the floods, as depicted in Exhibit 4.4.3, and was conducted in three phases:

1. Emergency relief and recovery
2. Reconstruction and rehabilitation of homes, and livelihood projects
3. Disaster preparedness programme

EXHIBIT 4.4.3: LOCATIONS OF GDRN RELIEF EFFORTS DEPLOYMENT

During December 2014's East Coast floods, GDRN extended emergency relief support amounting to ***RM45 million****, reaching* ***25,000 families***



1. *Deployment of relief items*
2. *Rumah Mesek after rebuilding, the tent on the right was the temporary shelter*
3. *Transport for patients with critical medical conditions -Plus helicopter*
4. *Food distribution*
5. *School and public amenities clean up*

Company - driven community well-being and development initiatives

Communities of low socio-economic status lack access to basic needs and social services and are more vulnerable to sudden shocks such as financial crises or natural disasters. Hence, apart from contributions through the GLCT Programme CR Initiatives such as YS and GDRN, GLCs have also been conducting individual community well-being and development initiatives in support of these communities. Refer to Exhibit 4.4.4 for selected G20 initiatives in this category.

EXHIBIT 4.4.4: SELECTED G20 COMMUNITY WELL-BEING AND DEVELOPMENT INITIATIVES

AFFIN HOLDINGS	**Collaboration with the National Cancer Society Malaysia (NCSM)** Funded chemotherapy day-care services at NCSM's Cancer Treatment Centre for up to 4,000 patients in 2014 to provide emotional comfort and lessen the financial burden for those affected by cancer
Boustead Holdings Berhad	**Skuad Operasi Sihat - Mobile Clinic** Provided basic health check-ups and awareness programmes to more than 8,000 people in urban and rural areas, from 2011 to 2014
Maybank	**Microfinance BII Berbagi** Empowered over 6,000 women across 200 microenterprises in six provinces, from 2012 to 2014, by offering microcredits and access to capacity building programmes through partnerships with microfinancing NGOs in Indonesia
MBSB	**MBSB's Home Safety Campaign** Actively disseminated information on the importance of home safety measures to more than 5 million individuals through our Home Safety Campaigns via TV, radio and roadshows from year 2008 to 2014
TENAGA NASIONAL	**Baiti Jannati House Renovation Programme** Renovated dilapidated houses into comfortable homes equipped with basic amenities for 177 underprivileged families from 2007 to 2014
UEM	**"Malaysians Unite For Road Safety" & "Respect Your Limit" Campaigns** Organised more than 500 road safety programmes, from 2009 to 2014, to inculcate greater awareness and road safety culture among the motoring public

Source: G20 submissions to PCG Secretariat, PCG Secretariat analysis

We have a responsibility to deliver social value to our communities. Sime Darby's approach to community engagement reflects the needs of our sectors. For instance, the Plantation Division works closely with communities who often depend on them for their livelihoods. The Property Division plays an active role in developing community cohesion during the lifespan of its developments.

Tan Sri Dato' Abdul Ghani Othman
Chairman, Sime Darby Berhad

Wisma Sime Darby on Jalan Raja Laut, Kuala Lumpur, Sime Darby's headquarters

B. Education and capacity building initiatives

GLCT Programme education and capacity building initiatives

PINTAR Foundation

A high percentage of public schools located in rural areas which serve students from poor and low-income families are underperforming when compared to their counterparts in urban areas. These schools need additional support to provide coaching to teachers and give students access to additional tuition and after-school activities that would help inspire and motivate them to succeed.

Promoting Intelligence, Nurturing Talent and Advocating Responsibility (PINTAR) programme was first introduced in 2006 to support the rural public schools through a school adoption programme in partnership with corporate Malaysia.

In August 2008, PINTAR Foundation (PF) was established to drive the PINTAR programme. Through their partnership with PF, GLCs and other non-GLC private sector companies adopt schools for a three-year period, and support them through financial and non-financial contributions. Employees of these companies often implement various activities in their adopted school(s). These activities follow a modular framework that ensures programmes support holistic student development. This includes the following four core modules.

From 2007 to 2014, ***184,052 students*** *have benefitted from programmes in* ***326*** *G20 adopted schools*

1. Motivation and team building (e.g. career talks, motivational camps, teambuilding activities)
2. Educational support (e.g. tuition, remedial classes, donations for learning materials)
3. Capability and capacity building (e.g. teacher's development, parental involvement)
4. Reducing vulnerabilities and social issues (e.g. environmental awareness programmes, health and hygiene programmes, disaster risk management)

From 2007 to 2014, a total of 184,052 students have benefitted from programmes in 326 G20-adopted schools (see Exhibit 4.4.5 for selected quotes from PINTAR beneficiaries).

1


2


3


4


1. *PINTAR Mobile Learning Unit*
2. *PINTAR Foundation CEO (center) at Drama Workshop for Students*
3. *A UEM volunteer conducting a parenting seminar on reading to children*
4. *Distribution of school kits to flood victims*

EXHIBIT 4.4.5: SELECTED QUOTES FROM PINTAR BENEFICIARIES

MOHD RAFIQ IKHWAN BIN MOHD RAHIMY

PINTAR Mobile Learning Unit Student, SK Pandamaran Jaya, Selangor

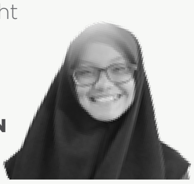
"The aviation station was my favourite! It was the first time I learned how to use a flight simulator, and we kept taking turns with my other classmates. It certainly has **given me the motivation to work hard at school so that perhaps one day I can be a pilot, and fly a real plane.** The others stations, like the photography and sports, was a lot of fun too, and made me think more about what I want to be when I grow up."

H'NG LEE HIANG

PINTAR English Literacy Programme Teacher, SJKC Chap Khuan

"This programme has been very important and meaningful for me, as I have learned a lot of skills that I have previously not known, as I was never trained to teach English. **I now know how to manage the class better, and how to effectively reward the students in class.** The programme has particularly **improved how I approached listening and speaking skills for the students.** Now I know how to specifically approach it, that would allow the students to speak up more in class"

"This programme has greatly benefited me, and although it has **helped me learn new learning techniques and public speaking skills, it has most importantly, improved my confidence.** The programme has taught me that we should not be passive, and to always cultivate an initiative."



SITI JAMILAH BINTI NORDIN

Danajamin 100 Leadership Programme Participant
Student, SMK Munshi Abdullah, Melaka

"I found the Leadership Programme for PINTAR School Leaders by PINTAR Foundation to be extremely beneficial for teaching and leading. **I shared all that I have learned at training sessions for the teachers at my own school, and 100% of them found the methods to be good.** Teachers have informed me that they have enjoyed me "micro-teaching" them, and the methods they have learned have cascaded down to the students, where they are currently enjoying active learning."

SITI A'IDA JONED

Leadership Programme for PINTAR School Leaders Participant Teacher, SMK Gombak Setia, Kuala Lumpur

"The programme helped me a lot in terms of improving how I learn in school. I've always been rather overwhelmed when it comes to school, as I find juggling between all the subjects I learn in school, and revising for all of them at home to be at times confusing. The programme has **taught me how to be more organised, and to prioritise, enabling me to get the most out of my revision time. This has made school work much easier to manage, and even enjoyable."**

MUHAMMAD IKMAL BIN AHMAD SAIFUDDIN

Danajamin 100 Leadership Programme Participant
Student, SK Pandamaran Jaya, Selangor

Graduate Employability Management Scheme and Skim Latihan 1Malaysia

Tracer studies conducted by the Ministry of Higher Education for the years 2006 to 2014 showed that, on average, 29% of Malaysian graduates did not secure employment within 6 months of graduation[1]. To address this issue of graduate employability, the GEMS programme was launched under the GLCT Programme in March 2009.

Similarly, SL1M was introduced by the Government in 2011 to enhance the employability of graduates through collaboration with GLCs and non-GLC private sector companies implementing SL1M as part of their CR initiatives.

From 2009 to 2014, a total of 34,950 participants were trained through GEMS and SL1M and subsequently given opportunities to gain work experience via internship placements at participating organisations. The employment rate for graduates who have undergone these programmes is 90%.

Between 2009 and 2014, ***4,589 graduates*** *benefitted from G20's GEMS and SL1M programmes*

Out of the total 34,950 participants, G20 provided on-the-job placement opportunities for 4,589 graduates over the same period, representing 13% of the total number of participants (see Exhibit 4.4.6 for selected quotes from GEMS and SL1M beneficiaries). GLICs and G20 have committed to provide opportunities under GEMS and SL1M for a further 6,900 graduates in 2015.

In 2012, GEMS was successfully transitioned from PCG to TalentCorp Malaysia to ensure continuity of the initiative, post the Programme graduation.

Career Carnival SL1M-Kedah organised by SL1M in Kedah in 2014

[1] Ministry of Education, first degree graduate employment rate, 2015

EXHIBIT 4.4.6: SELECTED QUOTES FROM SL1M AND GEMS BENEFICIARIES

ARMAN SAFUAN BIN MOHAMED SUBOH

Ex-SL1M Trainee

Assistant Manager Support Engineer, TM

"The SL1M training helped **build my self confidence after a long time of being "unlucky" with job interviews.** Through this programme I have learnt how to communicate effectively with people from different backgrounds and connect with them in order to achieve my work targets. I've also matured through this programme. In particular, I've learnt **how to handle pressures** from my family, work and also from external parties. Last but not least, I've learnt a lot of lessons on **how to tackle job interviewers** and groom myself for the working atmosphere."

NURUL FARHANA ASMAWI

Ex-GEMS Trainee

Secretary, Malaysia

"The GEMS programme helped me **discover my strengths** and enabled me to launch my career in a leading food and beverage company in Malaysia. I am **learning and growing** in my job at Nestlé, Malaysia every day. I was absorbed to a full time role as a secretary at chilled dairy business unit at Nestlé, Malaysia after an attachment with the company under the GEMS programme."

NAZARUDIN RUSLI

Ex-GEMS Trainee

Associate, Manpower Planning & Recruitment, Human Resources Division, BIMB

"My goal was **to build a career right after I graduate** to be able to support my mother, who raised me as a single mother. I had months after months of unsuccessful applications despite having good academic results. This **changed** when I joined the GEMS programme"

MUHD FAIZAL SUNIP
Ex-SL1M Trainee
Pegawai Penerangan,
Kementerian Kesihatan Malaysia

"The SL1M programme has taught me many valuable lessons, especially in improving my soft skills, providing me with a good platform in learning about working in a corporate organisation. SL1M **has taught me the value of corporate culture where communication and how we carry ourselves are of the utmost importance.** This has helped me network and communicate effectively with people from different walks of lives in a working environment and have been able to put into practice at my current job."

CIMB

MUHAMMAD KHALID BIN MOHAMAD YAZIT
Ex-SL1M Trainee
Communication Support, Retail Segment,
CSD Sales Management, CIMB

"My first day in a new department, new position and new environment, was particularly challenging. I was finding it difficult to understand my role within the organisation and eventually felt like giving up altogether. However, I came to the **realisation that all I need is more time to adapt to this new working enviroment, which includes managing different personalities and working styles.** This is the most valuable lesson I've learnt on SL1M training programme - **Patience**."

CIMB

"GEMS programme has helped me to **bridge the gap between university and the working world.** This programme has helped me **better prepare myself** as a trainee at one of Malaysia's leading financial institutions."

NUR INSHIRAH OTHMAN
Ex-GEMS Trainee
Executive Trainee, CIMB

Company-driven education and capacity building initiatives

A nation's ability to grow hinges on the capacity of its population. This is nurtured through the availability and the accessibility of quality education at all levels of society, including the underprivileged. To support our Nation's efforts in developing human capital, GLCs have driven various education and capacity building initiatives, apart from their contributions to GLCT Programme level initiatives of a similar nature. This includes their contribution of RM599 million in scholarships from 2004 to 2014, which benefited 7,327 students. Refer to Exhibit 4.4.7 for selected G20 initiatives under this category.

EXHIBIT 4.4.7: SELECTED G20 EDUCATION AND CAPACITY BUILDING INITIATIVES

axiata	**Axiata Young Talent Programme** Equipped 686 participants of Axiata Young Talent Programme, from 2011 to 2014, with personal and leadership skills needed to become world-class trailblazers and ultimately, the future world-class corporate leaders of Malaysia
CIMB	**CIMB Sports Development Programme** Nurtured 7,860 junior golf, squash, rugby and football talents, from 2008 to 2014, by providing opportunities, financial support and development programmes
malaysia airlines	**Project PINTAR** Adopted 23 schools from 2010 to 2014, and impacted 5,750 students and 1,150 teachers, as well as more than 2,300 MAS employees who volunteered under this programme
MRCB	**Yayasan Peneraju Pendidikan Bumiputera** Provided access to education for the Bumiputera community to enable them to secure high-income employement through their RM1 million donation in four annual between 2011 and 2014
Sime Darby	**Yayasan Sime Darby – Youth & Sports** Committed RM131 million to funding athletic training programmes as well as supporting participation of athletes at international competitions since 2009

Source: G20 submissions to PCG Secretariat, PCG Secretariat analysis

University of Oxford, United Kingdom. One of the leading Universities in the world.

EXHIBIT 4.4.5: SELECTED QUOTES FROM G20 SCHOLARSHIP BENEFICIARIES

MOHD HELMAY HUSSAINI
University of Edinburgh

"CIMB has given me the **opportunity of a lifetime** to make a difference to Malaysia. Thank you CIMB!

CALEB WONG SZU KING
University of Malaya

"UMW Scholarship has **lightened my financial burden**, allowing me to **focus** on the most important aspects of university life - **learning, experiencing** and **growing**. I'm proud to be a UMW Scholarship recipient.'"

University of Malaya, Petaling Jaya. One of the leading Universities in Asia.

ASHRAFF RUSLAN
International Islamic University Malaysia (IIUM)

"Malaysia Airports scholarship gave me the opportunity to **excel further in my life** and be a **contributing member to the society**. I sincerely believe that everyone should be given a chance to show what they are capable of. Thank you Malaysia Airports!."

ANAZ AZLI BIN ROSLI
Universiti Utara Malaysia

"It was an honour to receive the Maybank Scholarship Award as Maybank is a premier and leading financial institution in Malaysia. Fast forward 12 years later, I found I made the right decision to join Maybank. The **talent nurturing** process started when **I was still in campus** and I had the **earliest opportunity to be exposed to real working environment** through the Maybank Internship Programme. In my opinion, Maybank is the best place to start and build your career."

AHMAD KHAIRIL ANWAR BIN MOHAMMAD
University of Oxford

"This scholarship had made it possible for me to further my studies in **one of the leading Universities in the world**. Apart from studies, I also represented the College in Basketball. Now I am attached to Janamanjung Powerstation, soon will be moving up to the planning Department in HQ."

AZMY MAHBOT
University of Melbourne

"I am one of UEM Group's **scholars** and upon my graduation with a Bachelor of Commerce in 1998, I joined the internal audit team of TIME engineering. Today, I am the senior general manager leading the corporate planning department of UEM Sunrise."

C. Environmental initiatives

Company-driven enviromental initiatives

The growing demand for natural resources in the recent decades has placed a lot of pressure on the state of the environment in increasingly complex ways. To address the multiple environmental challenges arising from economic and industrial development, GLCs have been conducting their individual environment initiatives, such as environmental awareness programmes, biodiversity conservation efforts and rehabilitation of degraded environments. Refer to Exhibit 4.4.9 for selected G20 initiatives under this category.

EXHIBIT 4.4.9: SELECTED G20 ENVIRONMENTAL INITIATIVES

BIMB HOLDINGS BERHAD	**One Earth, One Quest** Planted 2,800 mangrove tree saplings in 2 endangered mangrove forests in Pulau Mat Zin in Klang, Selangor and Sulaman Lake Forest Reserve in Tuaran, Sabah, from 2011 to 2014.
Boustead Holdings Berhad	**Rakan Alam Sekitar** Promoted awareness and educated more than 1,500 students from 14 schools nationwide, from 2010 to 2014, on the importance of preserving the environment, particularly in conserving Malaysia's rivers
MALAYSIA AIRPORTS	**Malaysia's First Airport Solar Power System at KLIA** Embarked on solar power system at KLIA that generated approximately 16.1 MWp, which also helped to save 12,092 tonnes of carbon dioxide equivalents (CO2e) emissions from Jan 2014 to Oct 2014
TH PLANTATIONS BERHAD	**Sustainable Plantation Operation (SPO)** Adopted the SPO framework, which emphasises environmental and societal conservation, on their 106,000 Ha plantation area, since 2006
TM	**TM Earth Camp** Conducted a series of camps that is based on the five key elements (i.e. humans, earth, water, air and energy) for 6,383 participants since 2010 to instil awareness of Malaysia's rich biodiversity
UMW	**Trees for Life Programme** Planted a total of 3,200 fruit and 'melati' trees in 2014, under Majlis Bandaraya Shah Alam's Trees for Life Programme

Source: G20 submissions to PCG Secretariat, PCG Secretariat analysis

MAHB has fully embraced the GLCT Programme's guidelines on corporate responsibility as we believe that a truly sustainable organisation generates benefits for all its stakeholders – shareholders and society alike. One of the clear goals of this programme is to leave a legacy behind.

Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah
Chairman, Malaysia Airports Holdings Berhad

1

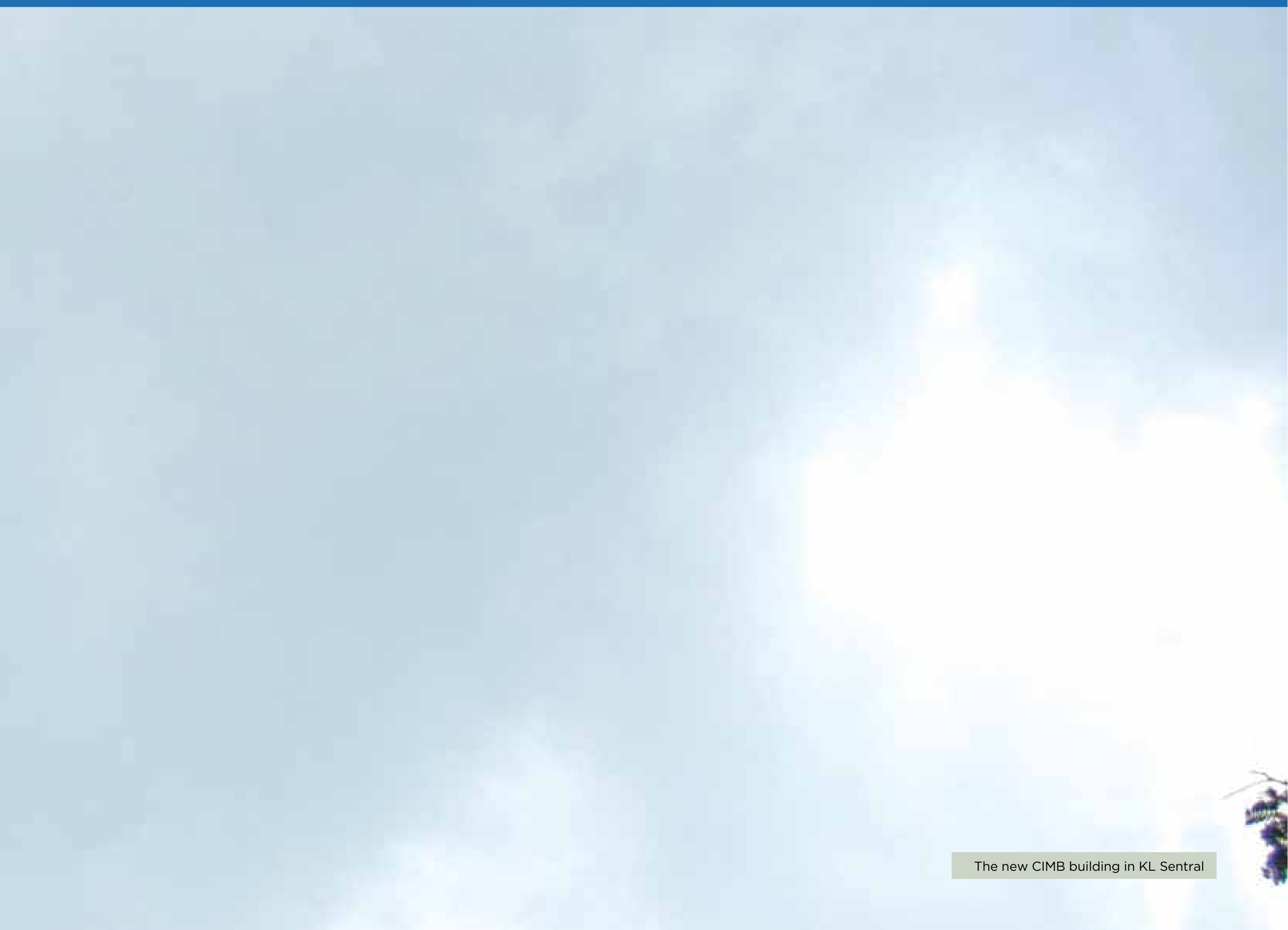

2


3


1. *BIMB: One Earth, One Quest initiative at Sulaman Lake Forest Reserve in Tuaran, Sabah*
2. *CCM: River scientist gauging the health of the river*
3. *UMW: Community Champions during Shah Alam Trees For Life 2014*

5

PROGRAMME MANAGING THE GLC TRANSFORMATION



The new CIMB building in KL Sentral

GLCs would not have been as successful in achieving the 3 Underlying Principles of the GLCT Programme, if it were not for the structured programme management approach adopted, which provided the GLCs with strategic direction, impetus to deliver high performance and "air cover" to make necessary changes at their organisations.

After the official announcement of the GLCT Programme on 14 May 2004, the PCG was formed in January 2005 as a steering committee for the Programme, to drive the transformation of GLCs into high-performing entities. (see Exhibit 1.2 in Chapter 1 for the GLCT Programme governance structure). The PCG had three primary roles, which are as follows:

5.1 Programme stewardship and design

5.2 Initiative roll out, review and transition

5.3 Communication and stakeholder engagement

The roll out and implementation of the 10 GLCT Initiatives have resulted in the achievement of many outputs, as highlighted in Section 5.4.

5 Programme Managing The GLC Transformation

5.1 Programme Stewardship and Design

The PCG was established to provide strategic direction for the GLCT Programme and shape its overall design. As such, one of the first tasks the PCG undertook after its formation in January 2005 was to design and implement comprehensive policies and guidelines to transform GLCs into high performing companies. To achieve this, the PCG conducted a significant amount of research and analysis into the root causes and issues surrounding GLCs' underperformance, including conducting over one hundred interviews[1], investigating relevant best practices, benchmarking, and reviewing existing policies and legal frameworks governing GLCs.

Pilot projects were also undertaken at selected GLICs and GLCs to create momentum and to learn from execution challenges. PCG's research findings formed the basis of the GLCT Programme's 3 Underlying Principles, 5 Policy Thrusts, and 10 Initiatives (see Exhibit 1.1 in Chapter 1 on "GLCT Programme Overview"). These were documented in the Transformation Manual, released during the official launch of the GLCT Programme on 29 July 2005 (see Section 6.1.2 for more information on the "Development of the GLCT Programme").

The 10 Initiatives were further developed, and most of them were launched in 2006. The 10 Initiatives (see Exhibit 5.1.1 for descriptions of the Initiative Books), were identified due to:

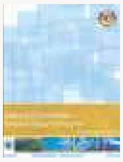
- Their importance as change levers
- Their potential for significant impact on value
- The unique ability of PCG to drive change in the areas they covered

The Initiative Books, also known as "Coloured Books," provided best practices and case studies that have been tailored to the GLC context and contained terms of reference, guiding principles, and supporting materials, including walkthrough examples, templates, tools and forms.

[1] More than one hundred interviews were conducted with GLIC CEOs, Chairmen and CEOs of the largest GLCs, nominee and independent directors on Boards of GLCs, leading foreign and domestic institutional investors, leaders within the private sector and key Malaysian opinion leaders as well as strategy, HR and procurement managers at GLCs

EXHIBIT 5.1.1: GLC TRANSFORMATION MANUAL AND GLCT PROGRAMME'S 10 INITIATIVES

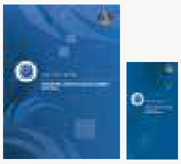
JULY 2005



TRANSFORMATION MANUAL

Catalysing GLC Transformation to Advance Malaysia's Development

Contains PCG's policy guidelines to address some of the core challenges and guide GLCs' transformation, as well as the terms of reference and supporting material for GLCT Programme's 2005/2006 Initiatives.



BLUE BOOK

Intensifying Performance Management Practices

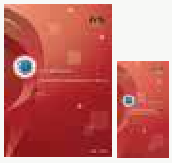
Covers guidelines on setting key performance indicators and targets, reviewing performance, appropriate compensation for senior management and intensified performance management.

APRIL 2006

GREEN BOOK

Enhancing Board Effectiveness

Provides guidelines on structuring a high performing board, ensuring effective board operations and interactions, and fulfilling fundamental board roles and responsibilities.



RED BOOK

Procurement Guidelines & Best Practices

Provides best practice procurement guidelines on minimising total cost of ownership, ensure efficient procurement cycle times, enhance transparency and eradicate corruption, enhance organisation cspsbilities and governance and develop a stable and competitive supplier base.

SEPTEMBER 2006

YELLOW BOOK

Enhancing Operational Efficiency & Effectiveness

Provides a framework for continuous improvement to serve as a guide to assist GLCs to evaluate, select and execute initiatives to enhance operational effectiveness.

SILVER BOOK

Achieving Value Through Social Responsibility

Clarifies social responsibility of GLCs, guides on how to evaluate a GLC's starting position and provides the building blocks of a contributions programme.

GLIC M&M

GLICs' Monitoring & Management Framework

Provides a brief overview of the various approaches a GLIC may take to monitor and manage their GLCs.

MINDA

Malaysian Directors Academy - Strengthening Directors Capabilities

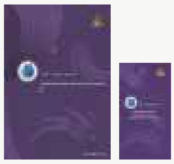
MINDA's goal is to equip boards with world class knowledge, mindset and skill to perform at consistently high standards.

DECEMBER 2006

ORANGE BOOK

Strengthening Leadership Development

Sets out practical guidelines to institutionalise good leadership development practices including recruitment, honouring excellence, strategic deployment of leaders, developing high potentials and engaging and retaining talent.



PURPLE BOOK

Optimising Capital Management Practices

Provides best practice guidelines on how to optimise the capital structure and improve capital efficiency including capex efficiency, working capital efficiency and disposal of non-core assets.

SEPTEMBER 2008

WHITE BOOK

Creating Value Through Regulatory Management

Sets out best practice regulatory management covering regulatory value creation plan, setting-up a world-class regulatory affairs unit and developing a strategic regulatory mindset.

Apart from their role in the development of the GLCT Programme's 3 Underlying Principles, 5 Policy Thrusts and 10 Initiatives, the PCG also shaped the GLICs and GLCs collective stance on national agendas such as the NEM and BEE.

In March 2010, the Government launched the NEM for Malaysia to become a developed and competitive economy by 2020. The PCG then announced five roles for GLICs and GLCs to clearly articulate how the GLCT Programme would support this national agenda. These five roles provided the GLCT fraternity with a common understanding, language and framework to reinforce the NEM.

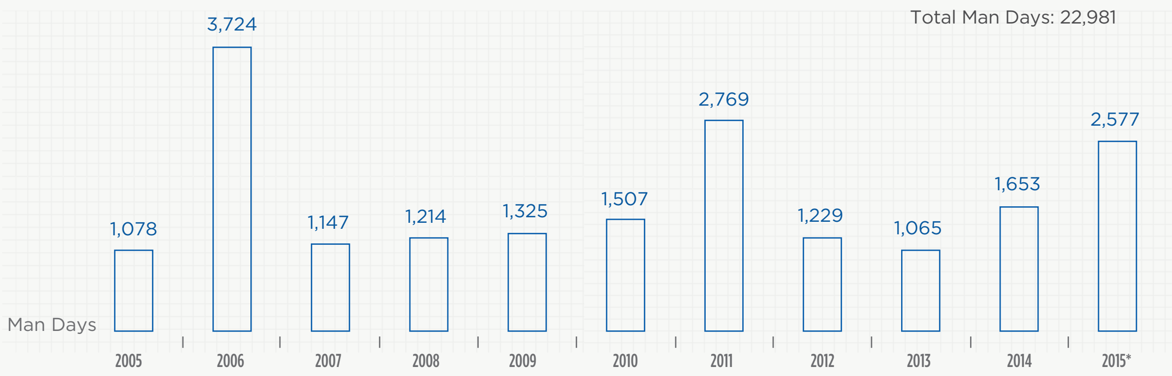
In a move to further strengthen and professionalise GLICs' and G20's support of BEE Agenda, which was announced by YAB Prime Minister in September 2013, the PCG established the BEA. Under the BEA, various initiatives have been implemented by both GLICs and G20, benefitting Bumiputera entrepreneurs, employees, students and the larger community.

Refer to Chapter 3 on "Catalysing Nation Building" for further details on GLCs efforts in this area.

PCG meetings were held as a forum for GLC leaders to discuss issues and challenges faced in their transformation efforts. These PCG meetings were initially chaired by the Minister of Finance II, and by YAB Prime Minister from 2009 onwards, in order to provide the necessary stewardship, oversight and sense of urgency to accelerate change. There have been a total of 29 PCG meetings from 2005 to 2015, each with a specific theme, which drove Programme activities and outputs (see Exhibit 5.1.3 for an overview of PCG meeting themes and GLCT Programme activities and outputs from 2004 to 2015).

Since the official launch of the GLCT Programme in 2005, a total of 22,981 man days have been dedicated to the Programme. Programme man days involved time spent in planning, execution and participation in Programme activities, including meetings, engagement and syndication sessions, briefings, discussions, workshops, labs and Initiative Circles. This includes participation from the PCG, PCG Secretariat, GLICs and GLCs. Based on Exhibit 5.1.2, there were spikes in the Programme activities for the years 2006, 2011 and 2015. In 2006, the activities were focused on the development and roll out of the GLCT Initiatives and the first strategic review (or stock-take) of the Programme. In 2011 and 2015, the increased man days are mainly attributed to the planning and execution of the Open Days within the two respective years. Another key activity in 2015 is the third and final strategic review of the Programme.

EXHIBIT 5.1.2: GLCT PROGRAMME MAN DAYS FROM 2004 TO 2015



* Man days for 2015 covers activities from January to 9 Aug 2015. This includes a conservative estimate of the man days involved in the execution of Open Day 2015

Source: PCG Secretariat

Note: Programme man days involved time spent in planning, execution and participation in Programme activities, including meetings, engagement and syndication sessions, briefings, discussions, workshops, labs and Initiative Circles.

EXHIBIT 5.1.3 PCG MEETING THEMES AND GLCT PROGRAMME ACTIVITIES AND OUTPUTS FROM 2004 TO 2015

2004

- Fifth Prime Minister Tun Abdullah Badawi announced the start of GLC Transformation at the seminar on "Culture of High Performance for GLCs"

2005

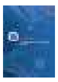
PCG meeting themes:

1. PCG kick-off and introduction of the Joint Working Team
2. Role of GLICs in the transformation of GLCs
3. Review of benchmarking and segmenting of G15 results
4. Alignment on guiding principles and progress update on pilots
5. Development and prioritisation of 2005/2006 initiatives
6. GLCT Programme launch discussion and planning
7. Launch feedback and status update on G15 performance
8. GLCT Programme priorities for 2006 and Red Book development

Activities and outputs:

- Formation of the PCG
- First PCG meeting held on 5 February 2005

- Official launch of GLCT Programme and release of Transformation Manual



- Launch of the Blue Book on "Intensifying Performance Management Practices"
- Stock-take of Implementation of Performance-Linked Compensation in GLCs

2006

PCG meeting themes:

9. Red Book update and GLCT update by GLIC CEOs
10. Red Book and Silver Book update; G20 progress update by GLC CEOs
11. G20 Roundtable: Key issues in implementation
12. Introduction of new Initiatives - MINDA, GLIC M&M, Purple Book, Orange Book, and value based performance management

Activities and outputs:

- Launch of six Initiative Books (Green, Red, Yellow, Silver, Orange and Purple)
- Implementation of GLIC's Monitoring and Management Framework (GLIC M&M)
- Launch of Malaysia Directors Academy (MINDA)
- Announcement of Headline KPIs. Headline KPIs were subsequently reported on an annual basis.
- Launch of PINTAR Programme
- Conducted the first strategic review of the Programme ("stock-take")
- Held the first Performance Management Circle (Blue Book), Procurement Circle (Red Book) and Yellow Book Circle meetings

2007

PCG meeting themes:

13. G20 Roundtable: Priority GLCT Initiatives
14. Required GLIC intervention for specific initiatives
15. G20 Roundtable: Progress report on Top 2 Initiatives
16. Emerging issues and concerns for overall GLCT Programme

Activities and outputs:

- Implementation of GLCT Initiatives
- Held the first Leadership Development Circle (LDC) meeting

- Held the first Purple Book Circle meeting
- Tracked the GLCs' implementation progress of the Coloured Books

2008

PCG meeting themes:

17. GLCs role in national development
18. Syndication of second stock-take results

Activities and outputs:

- Held the first Silver Book Circle meeting
- Conducted the first Leadership Development Audit (LDA)
- Establishment of PINTAR Foundation to spearhead the PINTAR school adoption programme
- Held the first White Book Circle meeting

- Launch of the White Book on "Creating Value Through Regulatory Management"
- Establishment of University Malaya - Malaysian Centre of Regulatory Studies (UMCoRS)
- Launch of Cross-Assignment Programme to enable cross postings of GLC employees

2009

PCG meeting themes:

19. Crisis preparedness
20. Crisis resilience; Supporting NKRAs and 1Malaysia initiatives

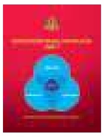
Activities and outputs:

- Launch of Graduate Employability Management Scheme (GEMS)
- Launch of Yayasan Sejahtera
- Launch of Cross Fertilisation Programme to enable cross postings between the Government and GLCs
- Conducted the second strategic review of the Programme ("stock-take")

LEGEND:

- PCG MEETING THEMES
- GLCT PROGRAMME ACTIVITIES AND OUTPUTS

2010



21 Executing the NEM

22 Roles of GLICs and GLCs in NEM

- PCG announcement of the 5 roles for GLICs and GLCs to align with and support the NEM
- "Pumpkin Study" conducted on G20 Employee Welfare

2011

23 Delivering results and reaching out under the NEM

- GLC Open Day held to enhance public awareness of the roles played by GLCs
- Conducted the second LDA
- Conducted the GLC Customer Service Excellence Initiative, led by Maybank and supported by PCG Secretariat

- Conducted an innovation assessment exercise at G20 by the Yellow Book Circle

2012

24 Towards transforming Malaysia

- Highest achievement in G20 Headline KPIs @ 77%

- Conducted self assessment survey on the adoption of Initiative Books (Purple, Red, Orange)

- Conducted Silver Book Implementation Assessment

2013

25 Gearing up for graduation, towards 2015 and beyond: Sustainable growth with inclusion

- Conducted self assessment survey on the adoption of Initiative Books (Blue, White, Yellow)
- Development of Bumiputera Empowerment Agenda (BEA) by PCG Secretariat in response to Bumiputera Economic Empowerment (BEE) launch
- Formation of the Corporate Sustainability Circle (CSC) to transition the Silver Book initiative to the GLC fraternity
- Performance Management Circle (Blue Book) merged with Human Resource Circle (Orange Book)
- White Book Circle renamed to Regulatory Management Circle (RMC)
- Conducted the third LDA
- Launch of PR1ME, an upward mobility scheme

2014

26 National inclusivity and Bumiputera Agenda

27 Charting the way forward: Last call before graduation

- Roll out of BEA KPIs
- CSC workshop on Social Return of Investment (SROI)
- Formation and activation of GLC Disaster Relief Network (GDRN)
- Formation of CFO Circle to transition Purple Book to the GLC fraternity
- Conducted the third strategic review of the Programme ("stock-take")
- Full implementation of Minimum Wage Policy and compliance with Minimum Retirement Age Act

2015

28 Last check point to graduation

29 Graduating to a higher class: Nation building, touching lives

- Conducted the fourth LDA
- Announcement of a successor entity to continue the network effect created by the GLCT Programme
- GLC Open Day held to mark the graduation of GLCs from the GLCT Programme
- Last PCG Meeting held on 7 August 2015 - a total of 29 PCG meetings were held between 2005 to 2015
- Last Leadership Development Circle (LDC) meeting held - a total of nine LDC meetings were held between 2007 to 2015

5.2 Initiative Roll Out, Review And Transition

Following the launch of the 10 Initiatives, the PCG's role shifted to overseeing the execution of these Initiatives. This role included:

- Rolling out the 10 Initiatives, awareness and capability building within the GLCs
- Monitoring implementation progress via tracking and assessment of initiative implementation
- Transitioning of the Initiative Circles to the GLC fraternity to ensure continuity

A. Rolling Out the 10 Initiatives, Awareness and Capability Building within the GLCs

The PCG Secretariat created awareness and built the capability of GLCs on the Initiatives through a variety of channels:

1. **Initiative workshops and Circles**

   GLC representatives or champions that were responsible for Initiative implementation at their companies were invited to participate in Initiative workshops that were typically conducted soon after the launch of each initiative. The Initiative workshops provided a detailed walkthrough of the Initiative content and lessons on how to implement them.

   Subsequently, GLC champions were also invited to their respective Initiative Circles. These Circles were formed to enable GLCs to share best practices, address common challenges, and build a network among like-minded champions within the GLCs. These Initiative Circles, which were facilitated by PCG Secretariat, were initially conducted with the support of external experts – who were eventually phased out as a result of growing capability within the GLCT fraternity.

2. **Public seminars**

   Public seminars were held to introduce the Red and Green Books to a broader audience, including industry participants - consultants, academic experts and other interested parties. As GLCs were likely to seek support to implement these Initiatives, these seminars were intended to build awareness and share knowledge amongst industry participants so that they had the right context and information to effectively support GLCs.

3. **Specific requests from GLCs**

   Many GLCs requested for further input from PCG Secretariat post the launch of each Initiative Book. Typically, this input was focused on helping the GLCs build support for and implement the Initiatives. For example, PCG Secretariat was asked to give presentations to GLC boards and senior management on the Initiative Books. PCG Secretariat was also invited to join meetings at the working level to share in greater detail about the Initiatives.

B. Monitoring Implementation Progress via Tracking and Assessment of Initiative Implementation

After the roll out was complete, the PCG Secretariat began assessing the implementation progress of the Initiatives at the GLCs. As the Initiative Books had clear step-by-step guides on what GLCs had to do to implement the Initiatives, tracking progress was straight forward and many GLCs reported good progress on implementing the Books. However, it was soon apparent that while GLCs may be progressing in terms of form or activity, the substance or quality of that progress could not be gauged through the initial tracking efforts. As a result, the PCG Secretariat stopped actively tracking these activities from 2007.

To address these early monitoring shortcomings and gain a deeper understanding of implementation progress in both form and substance, several initiative implementation assessments were conducted for selected Initiatives, namely Blue, Red, Yellow, Silver and Orange (see Exhibit 5.2.1 on the Orange Book's Leadership Development Audit and Exhibit 5.2.2 on the Silver Book's Implementation Assessment for examples of the findings from these assessments.)

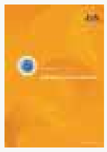
Later in the Programme, the PCG Secretariat introduced self-assessments, to evaluate GLCs on their progress against the various Initiative Books' guidelines. This progress was measured from 0% (no progress) to 100% (the GLC has fully executed all the Initiative book guidelines, both in form and spirit). Based on the PCG Secretariat's findings, the GLCs scored an average of 73% across the six Initiatives assessed - Blue, Red, Purple, White, Yellow and Orange (see Exhibit 5.2.3 for overall adoption rates of Coloured Books by G20). Apart from getting a sense on the level of adoption, the self-assessment surveys intended to:

- Identify areas of the Initiative Books where a substantial number of GLCs could further improve themselves, in order to determine if further Programme support was needed
- Help design future Initiative Circles to ensure that they are useful and value adding to all participants

A self-assessment was not conducted for Silver Book as an implementation assessment was conducted instead. For Green Book, the GLC boards have been conducting their own board effectiveness assessments.

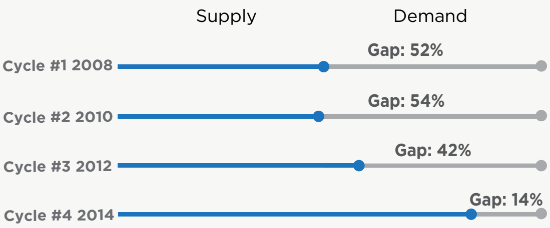
In addition to the Initiative implementation and self-assessments, the PCG conducted three strategic reviews (or stock-takes) in 2006, 2009 and 2014 to evaluate the Programme's progress and allow for course corrections to be made where necessary. The stock-take interviewees generally acknowledged that the GLCT Programme has created the impetus for improvements and that the Initiatives were rolled out in a form that provided concrete assistance and generated visible changes for the GLICs and GLCs.

EXHIBIT 5.2.1: ORANGE BOOK - LEADERSHIP DEVELOPMENT AUDIT



Leadership Development Audits (LDA) were conducted every two years – using the assessment tool provided in the Orange Book – with the fourth and final LDA cycle conducted in 2015 to assess G20's progress in 2014. This continuous effort to institutionalise good leadership development practices in G20 saw the leadership gap narrow from 52% in 2008 to 14% in 2014 (see Exhibit 5.2.1(A)). This improvement in the leadership gap is largely attributable to better identification of successors, increased leadership/talent hiring, and improved retention of high performers and talent amongst G20. Another key finding from the fourth LDA is that Malaysia is still lagging behind global benchmarks with regard to the readiness of leadership supply (see Exhibit 5.2.1(B)).

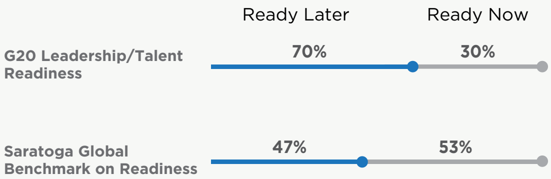
EXHIBIT 5.2.1(A): LEADERSHIP DEVELOPMENT AUDIT RESULTS – LEADERSHIP GAPS AT G20



Source: PwC, LDA 4, 2014

Notes:
1. Demand refers to the number of leaders required to fill leadership positions over the next three years at G20
2. Supply refers to the number of available talents capable to fill leadership positions over the next three years at G20

EXHIBIT 5.2.1(B): G20 LEADERSHIP/TALENT READINESS COMPARED TO GLOBAL BENCHMARK



Source: PwC, LDA 4, 2014

Note:
1. "Ready Now" means the ability to assume a leadership position in 12 months
2. PwC's Saratoga database contains HR performance related data for more than 40% of FTSE 100 and Fortune 500 companies

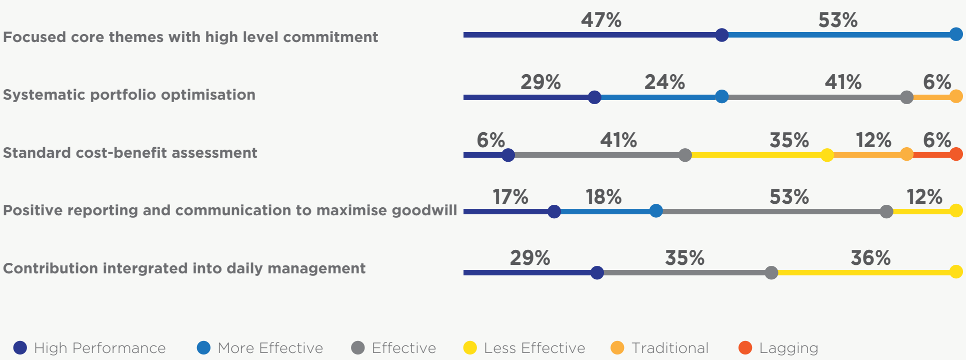
EXHIBIT 5.2.2: SILVER BOOK - IMPLEMENTATION ASSESSMENT

The PCG Secretariat conducted the Silver Book Implementation Assessment from December 2012 to May 2013 to gauge adoption levels of the Silver Book guidelines among the G20. The review also aimed to provide G20 with an understanding of the their performance in relation to their peers and identify opportunities to further integrate their societal contribution within their core business.

Based on the findings on overall management and execution of contributions to society, G20 have generally adopted the guidelines and best practices advocated in the Silver Book (see Exhibit 5.2.2(A)). Nevertheless, opportunities to improve their CR and sustainability practices remained, such as;

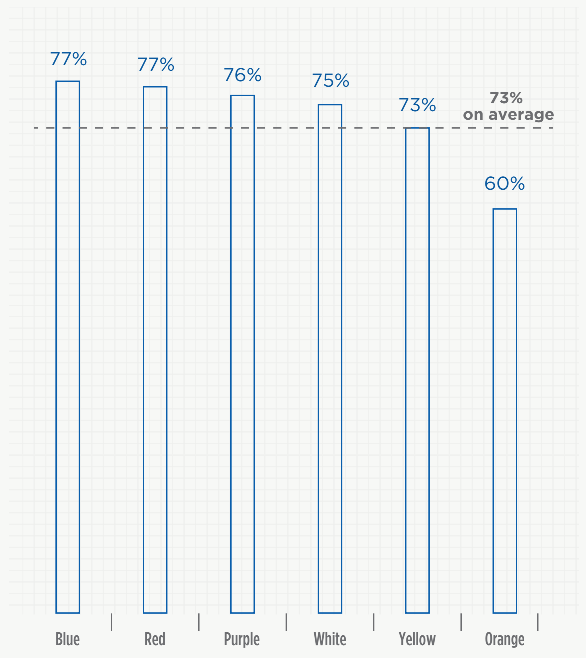
- Optimising societal contributions through a more structured portfolio management (i.e. not on an ad-hoc basis)
- Adopting more sophisticated quantitative cost-benefit assessments
- Utilising standalone sustainability or CR annual reports as a strategic competitive lever
- Integrating sustainability factors such as good corporate governance, sound environmental, health and safety practices, as well as responsible supply chain management into their company's overall business strategy

EXHIBIT 5.2.2(A): G20'S OVERALL MANAGEMENT AND EXECUTION OF CONTRIBUTIONS TO SOCIETY



Source: Silver Book Review (G20 self-assessment), June 2013

EXHIBIT 5.2.3: OVERALL ADOPTION RATES OF COLOURED[1] BOOKS BY G20 (% OF ADOPTION)



Source: G20 reporting to PCG Secretariat

[1] Only for Blue (2013), Red (2012), Purple (2012), White (2013), Yellow (2013) and Orange (2012) Initiative Books

Note: A self-assessment was not conducted for Silver Book as an implementation assessment was conducted instead. For Green Book, the GLC boards have been conducting their own board effectiveness assessments.

C. Transitioning of the Initiative Circles to the GLC Fraternity to Ensure Continuity

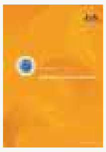
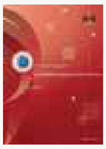
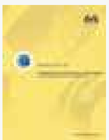
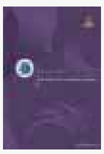
From 2013 onwards, there was a greater emphasis on transitioning the management of Initiative Circles from the PCG Secretariat to the GLC fraternity. Several Initiative Circles have developed a structure to organise themselves and have appointed a Chair and working committee (for a one-year or two-year term) to manage their respective Circle (see Exhibit 5.2.4 for an overview of how GLCs are transitioning Initiative Circles to the GLC Fraternity). The Chair and working committee are expected to continue playing a catalytic role in ensuring their respective Circles leverage on their network strength and deliver value to all members.

In the final stock-take conducted in 2014, G20 Chairmen and CEOs indicated that they would like the network to continue in an informal way, post graduation. This led to the PCG's proposed idea of a "successor entity" to act as a new platform to ensure that the network effect that has been created by the programme continues, post Programme graduation (see Chapter 7 on the "Way Forward" for further details on the successor entity).

The Initiative Books have stated best practices and knowledge on their focus areas.
It is always useful to know the latest thinking, but the most important part is implementation.

En. Leonard Ariff Abdul Shatar
CEO, Chemical Company of Malaysia Berhad

EXHIBIT 5.2.4: TRANSITIONING OF THE INITIATIVE CIRCLES TO THE GLC FRATERNITY

Initiative Circles	Current Status
  Performance Management Circle (Blue Book) Human Resource Circle (Orange Book)	In 2013, the Performance Management Circle (PMC) merged with the Human Resource (HR) Circle as both circles have common interests and overlapping issues. Post-graduation, TalentCorp has agreed to be the new owner for the combined circle, continuing the efforts to improve performance management among GLCs.
 Chief Procurement Officer Circle (Red Book)	In 2014, the Red Book officially transitioned to the Chief Procurement Officer (CPO) Circle. The CPO Circle is governed by a rotating chair with one-year terms and consists of three sub-groups; Vendor Development Programme (VDP), Commodities and People, Policies, System and Processes (PPSP). These sub-groups act as focus groups to facilitate sharing and learning sessions to address specific issues and best practices within their respective areas. Moving forward, the fraternity is empowered to collectively shape the circle and sub-circles through a proper governance structure, terms of reference (TOR), roles and responsibilities, as well as clear vision and objectives.
 Continuous Improvement Circle (Yellow Book)	In 2013, the Yellow Book Circle officially transitioned to the Continuous Improvement Circle (CIC). Moving forward, the CIC agreed to maintain the network and reconvene periodically when matters of common interest arise.
 Corporate Sustainability Circle (Silver Book)	In 2013, the Silver Book officially transitioned to the Corporate Sustainability Circle (CSC). CSC's scope expands beyond purely CR related programmes and activities into new areas of corporate sustainability i.e. holistic and broader aspects of sustainability integration based on the concept of 'People, Planet and Profit'. The elected Chair of the CSC for the 2014-2016 term is Maybank Berhad with Malaysia Airport Holdings Berhad (MAHB) as Secretariat. Six Exco Members were also elected, and together with the Chair and Secretariat, they provide direction for the circle to ensure members gain the full benefit from the various programmes planned under the newly formed CSC.
 Chief Financial Officer Circle (Purple Book)	In 2013, the Purple Book officially transitioned to the Chief Financial Officer (CFO) Circle. The CFO Circle will continue to serve as a platform for greater knowledge sharing, synergy, and institutionalisation of the Initiative's best practices. CFO Circle will discuss topics of common interest such as financial industry talent, standards, and new trends and use of technology in finance or capital management-related work.
 Regulatory Management Circle (White Book)	In 2013, the White Book Circle officially transitioned to the Regulatory Management Circle (RMC). The RMC is led by a chair and a group of working committee members that have been elected for a 2-year term. TNB was elected as the first chair with Axiata, CIMB, MAS, Maybank and Sime Darby as members of the first committee. Key areas of focus include working better with regulators, dealing with multiple regulators and setting up best practice regulatory affairs functions.

1


2


3


4


5


6


1. Chief Financial Officer working committe meeting
2. A Regulatory Management Circle in session
3. PCG Meeting in session
4. Chief Procurement Officer Circle Meeting
5. A meeting with the G20 GLCT Programme representatives
6. Tan Sri Azman Hj. Mokhtar speaking at the Leadership Development Circle in 2008

5.3 Communication and Stakeholder Engagement

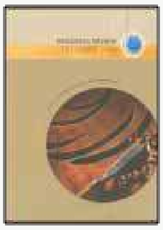
An integral part of Programme management was the Programme's communication to all stakeholders. It was imperative for the PCG Secretariat to engage stakeholders beyond the GLCs by broadening communications. This was particularly important in gaining Government support to create the right environment for GLCs to perform. An outreach programme was established to build awareness and support for the Programme. This outreach included briefings to YAB Prime Minister, the Cabinet, key ministers and senior ministry officials. This helped deepen the understanding of and convince the Government of the GLCT Programme's value, to allow them to act in accordance with it and support it. The PCG and the PCG Secretariat also supported GLCs in their engagement of stakeholder communities (e.g. Bumiputera vendors associations, foreign investors through investor roadshows and unions within the GLCs).

Other forms of Programme communications included roadshows, progress reviews and Open Days. Roadshows were conducted by the PCG Secretariat, forming the first wave of direct communication and engagement with GLCs on the GLCT Programme. Most roadshows were led by the Managing Director/CEOs of the GLICs for their respective GLCs. These roadshows created awareness and understanding of the importance of the GLCT Programme and also enabled GLCs to gain more clarity on details of the Programme and address any potential doubts or questions. The roadshows successfully generated interest and enthusiasm among natural champions at the GLCs. Soon after the roadshows, several transformation teams or leaders of the GLC CEO's office (e.g. TM and UEM) started engaging the PCG Secretariat to discuss how they could begin customising and operationalising the GLCT Programme Initiatives at their companies.

EXHIBIT 5.3.1: GLCT MANUAL, PROGRESS REVIEWS, STOCKTAKES AND GRADUATION REPORT

JULY 2005
Transformation Manual

APRIL 2006
GLCT Scorecard



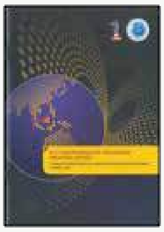
DECEMBER 2006
Progress Review (Stock-take #1)

MARCH 2007
Progress Review

DECEMBER 2007
Interim Progress Review

MARCH 2008
Progress Review

MARCH 2009
Mid-Term Review (Stock-take #2)

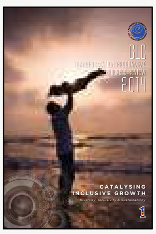


MARCH 2009
Progress Review

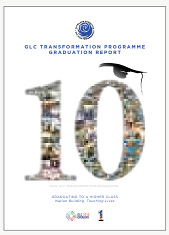
APRIL 2011
Progress Review

MAY 2012
Progress Review

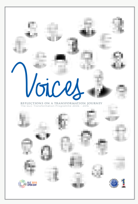
JUNE 2013
Progress Review



JUNE 2014
Progress Review



AUGUST 2015
Graduation Report



AUGUST 2015
Voices - Reflections On A Transformation Journey

Another communication channel to the public for the Programme was the publication of annual progress reviews and three strategic reviews (or stock-takes) (see Exhibit 5.3.1). The annual progress reviews, which detailed the status and activities of the GLCs and the Programme over each year, were published and distributed at Invest Malaysia, an annual premier conference for fund managers, stock brokers, analysts and the investment community. In addition, press releases were published in conjunction with the release of the progress reviews and strategic reviews. Press releases and announcements were also made after every PCG meeting.

In reaching out to stakeholders, PCG organised the inaugural GLC Open Day event in June 2011. The Open Day intended to reach out to all Malaysians and showcase how GLICs and GLCs have contributed towards the development of the nation's economy and touched the lives of every Malaysian. The objective was to communicate to the public about the strides and progress that the GLICs and GLCs have made and their continuous efforts towards creating value, sharing that value and delivering benefits to the *rakyat* (see Exhibit 5.3.2 for more details on the GLC Open Day 2011).

As part of the graduation of the Programme, the second GLC Open Day event is being held in August 2015 to showcase the GLCs' activities and achievements over the past 10 years. This event serves as a platform for GLCs to engage with the public and report the Programme's final outcomes. In conjunction with this Open Day, the GLCT Programme graduation report is being published, as well as a book of essays titled "Voices," which aims to commemorate the journey of the Programme through reflections by prominent Malaysians and key participants in the Programme.

EXHIBIT 5.3.2: INAUGURAL GLC OPEN DAY IN JUNE 2011

The Open Day featured public forums chaired by GLC CEOs to discuss current issues from the new corporate DNA of GLCs to the social media phenomenon and the limits of social entrepreneurship. Participants included prominent personalities, GLC leaders and employees, NGOs, entrepreneurs and social activists.

Visitors also had the chance to engage with GLC CEOs via a "Spotlight Corner," where CEOs were featured and present to address questions. A myriad of exciting activities for the family were offered including a treasure hunt, children's colouring competition and e-Peraduan for all ages. The 3-day event was a significant success, attracting over 30,000 visitors.

A total of RM11.2million in transactions were completed, and 412 supplier enquiries, registrations and proposals were tallied. More than 7,400 resumes and 960 scholarship applications were submitted. Over 50,000 promotion, game and activity entries were recorded. Based on feedback from around 3,000 respondents, 80% scored the event at 7 out of 10 or above.

(From left) Tan Sri Ismee Ismail, Tan Sri Mohd Sidek Hassan, Dato' Ir Lim Siang Chai,Tan Sri Azman Hj. Mokhtar, Tan Sri Dato' Sri Hamad Kama Piah Che Othman, YAB Prime Minister Dato' Sri Mohd Najib Tun Hj. Abdul Razak and Tan Sri Nor Mohamed Yakcop, at the inaugural GLC Open Day 2011

EXHIBIT 5.4.2: PICTURES FROM PROGRAMME COMMUNICATIONS ACTIVITIES


1


2

3


4


5

6

1. GLC Open Day 2011 session with participants
2. G20 CEOs meeting to discuss Open Day 15 preparations
3. Entrance to the GLC Open Day 2011
4. PCG Secretariat representative speaking to a participant at a roadshow
5. Representative speaking to participants at Open Day 2011
6. Tan Sri Azman Hj. Mokhtar speaking at a press conference at Invest Malaysia 2014

5.4 Outputs of the Programme's 10 Initiatives

Throughout the GLCT Programme, the Initiative Books experienced a high adoption rate by GLCs. Beyond that, the Books also contributed to and resulted in many impactful outputs of the Programme. Each Initiative Book helped drive the best practices of their respective focus areas.

A. Institutionalised KPIs and Target Setting

Blue Book
Intensifying Performance Management

Prior to 2004, KPIs and performance contracts were not widely adopted by GLCs. As such, the Blue Book had a significant impact in institutionalising KPIs and target setting among GLCs. Headline KPIs and targets were introduced to ensure that there was an objective evaluation of the GLCs' performance, both on financial and operational indicators. In March 2006, the performance culture was further reinforced when the PCG asked G20 to publicly announce their Headline KPIs on an annual basis. These Headline KPI announcements increased performance pressure through public accountability. Refer to Exhibit 2.13 in Chapter 2 for more details on G20's achievements of Headline KPIs from FY2006 to FY2014.

Small in size but big in impact. The Blue Book called for GLC senior management to be put on short term contracts at market pay levels, subject to KPIs and eligible for performance bonuses (this may certainly be the norm today but was definitely not the case back in 2004). The Blue Book stipulated that these elements of performance linked compensation would need to be implemented by 1 January 2005 at the latest (i.e. in less than 8 months). This set the tone for the GLC transformation programme to come – BIG change backed by specifics and requiring FAST action.

En. Johan Mahmood Merican
CEO, Talent Corporation Malaysia Berhad

B. Enhanced Board Effectiveness and Governance Standard

Green Book
Enhancing Board Effectiveness

The Green Book was developed to support one of the GLCT Programme's policy thrusts - enhance GLC Boards' effectiveness and reinforce the corporate governance of GLCs. In line with the April 2006 Green Book Launch, Board Effectiveness Assessments were conducted in G20 companies in 2006. These Board Effectiveness Assessments gave the GLC Boards and GLICs an understanding of three important areas:

- Robustness of the board's composition
- Effectiveness of board's operations and interactions
- Ability of the board to fulfil its fundamental roles and responsibilities

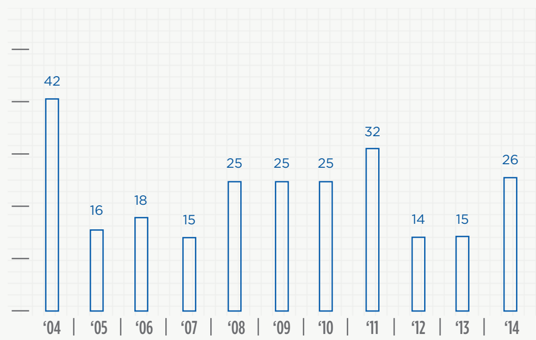
The guidelines introduced in the Green Book assisted in removing ambiguities and assumptions on sensitive issues. For example, it clarified who should sit on GLC Boards, described how boards should be assessed, and provided a framework for GLIC or GLC Boards to improve their effectiveness. Within the first 2 years of the Programme, there were 58 board member changes in the G20 companies (see Exhibit 5.4.1). Professional and experienced directors were appointed, while regulators and other parties were removed from Boards.

The Green Book also contributed to an improved governance standard within GLCs. Based on a survey conducted by the Minority Shareholder's Watchdog Group (MSWG) for the Corporate Governance Index, representation of G20 in the Top 100 with Good Disclosure improved from 71% in 2009 to 82% in 2014 (see Exhibit 5.4.2).

Much of the GLCs' success can be attributed to the chairmen and CEOs who had the ambition and skills to transform their organisations. Boards played their part as well; improving the effectiveness of boards and reinforcing the corporate governance of GLCs were among the most important initiatives specified in the GLCT Programme. Too often, boards spend the bulk of their time on compliance—instead of focusing on matters crucial to the future prosperity and direction of the business. However, we observed some notable shifts when boards began to play a much more active role in charting the strategic direction of their companies.

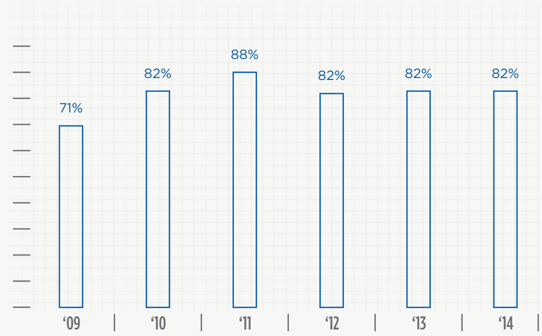
Mr. Dominic Barton
Global Managing Director, McKinsey & Co.

EXHIBIT 5.4.1: RECORDED BOARD MEMBER CHANGES TO G20 (2004 – 2014)



Source: G20 submission to PCG Secretariat, PCG Secretariat Analysis

EXHIBIT 5.4.2: REPRESENTATION OF G20 IN THE MINORITY SHAREHOLDER'S WATCHDOG GROUP (MSWG) CORPORATE GOVERNANCE INDEX, TOP 100 WITH GOOD DISCLOSURE (2009 – 2014)



Source: MSWG 2009-2014, PCG Secretariat Analysis

The Programme has done well to enhance performance and effectiveness of GLIC and GLC boards. Enhancement can continue beyond graduation such as introducing cross-assignment programmes for the board members as well as the staff to continue to share high-level best practices especially in the area of governance.

Datuk Seri Panglima Hj. Abdul Azeez Abdul Rahim
Chairman, Lembaga Tabung Haji

MINDA
Strengthening Directors Capabilities

As part of the GLCT Programme's Initiative to strengthen directors' capabilities, the Malaysian Directors Academy (MINDA) was established in December 2006, with the aim of enhancing board performance by equipping GLC directors with world class knowledge, skills and mindset (see Exhibit 5.4.3 for details on MINDA's programmes from 2007 to 2014). For the past eight years, MINDA has steadily achieved an excellent 4.6 out of 5 in its overall programmes rating. From 2012 onwards, MINDA opened to public listed companies as training requests from listed companies increased.

In late 2014, with the new mandates from Securities Commission and Bursa Malaysia, MINDA expanded its role to include the following:

- Professionalise directorship and be the sounding board for directors in Malaysia
- Provide a directors registry and offer board placement services that contribute to board diversity
- Conduct board effectiveness assessments and evaluate individual directors to drive board performance

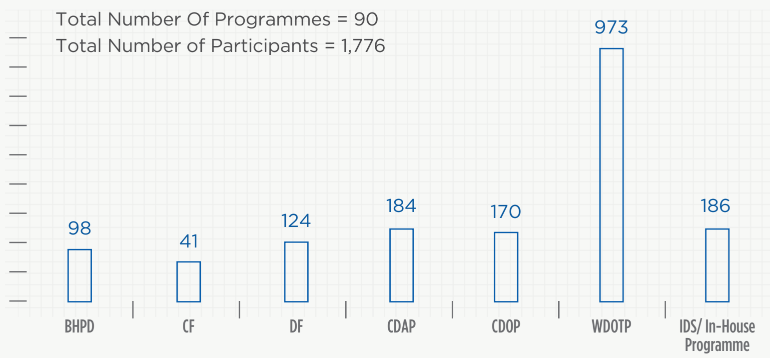
Having board members that have good chemistry to work as a team is important. Competencies are expected. The greater challenge is to have the right chemistry. It's like a good football team. There is no use having superstars if there is no team work

Tan Sri Dato' Sri Zamzamzairani bin Mohd Isa
CEO, Telekom Malaysia Berhad

EXHIBIT 5.4.3: MINDA'S PROGRAMMES FROM 2007 TO 2014

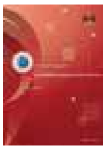
From 2007 to 2014, MINDA conducted 85 programmes and had a total of 1,776 participants, most of which were directors (see Exhibit 5.4.3(a)). These programmes featured international and local knowledge experts and are specially tailored for board environment. The programmes address topical challenges and issues faced by directors with real local cases and are benchmarked against international cases and best practices. To ensure high quality programmes were produced, MINDA partnered with leading foreign institutions and business schools such as the International Institute for Management Development (IMD), INSEAD and Harvard University. Our faculties also included experienced industry practitioners to support experiential learning for our directors.

EXHIBIT 5.4.3(A): MINDA PROGRAMMES AND NUMBER OF PARTICIPANTS 2007-2014



Legend:
BHPD: Building High Performance Directors | **CF:** Chairman's Forum | **DF:** Directors Forum | **CDAP:** Corporate Directors Advanced Programme | **CDOP:** Corporate Directors Onboarding Programme | **WDOTP**: Women Directors Onboarding Training Programme | **IDS:** International Directors Summit | **In-house:** Customised programmes for organisations such as, Khazanah, Telekom Malaysia (TM), Ministry of Transport , AZRB, Sapura, MISC, IRDA, Agrobank and Malakoff.

C. Improved Awareness of Leading Procurement Practices and Increased Adoption of Transparent Tender Processes



Red Book
Reviewing and Revamping Procurement Practice

Implementation of the Red Book resulted in higher awareness by GLCs on the need to embrace leading procurement processes and efficiencies. Many GLCs have also embraced good procurement practices such as strategic sourcing, supplier relationship management, and analysis of total cost of ownership.

The Red Book also encouraged GLCs to improve capabilities of local suppliers and vendors through their vendor development programmes (VDPs). These programmes are aimed at building the capabilities of local vendors by providing them business opportunities and development assistance, such as technical training, research and business skills support.

In accordance with the tender process guideline of the Red Book, GLCs increased their adoption of transparent tender processes. Similarly for VDP, vendors undergo a selection process to ensure that capable vendors are selected. Currently, eight[1] G20 companies have formal VDPs in place. In 2014, these eight companies spent RM1.8 billion on their VDPs, benefitting 1,307 vendors from 2004 to 2014, 82 vendors have graduated from the VDPs (see Section 4.3 on "Benefits to Vendors" for more information on each company's VDP).

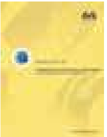
In 2013, YAB Prime Minister highlighted VDP as one of the seven focus areas for GLICs and GLCs in his Bumiputera Economic Empowerment speech. In response to this, PCG instituted VDP as one of the BEA key performance indicators, in support of the Nation's aspirations.

There is a lot that the GLC fraternity can learn from each other through information sharing of best practices. Especially in procurement, GLCs can share best practices on transparent tendering processes and development of vendors. This is a "low hanging fruit" to improve responsibility and accountability for all.

Datuk Syed Hisham bin Syed Wazir
CEO, UMW

[1] Axiata, Boustead, CCM, Sime Darby, TM, TNB, UEM and UMW

D. Improved Understanding of Innovation and Customer Satisfaction Levels amongst G20



Yellow Book
Enhancing Operational Efficiency and Effectiveness

In July 2011, an innovation assessment of the G20 was conducted under the Yellow Book. The objective of this exercise was to develop a baseline index to assess the innovation at G20 in order to promote the innovation mind-set and culture across Malaysian companies.

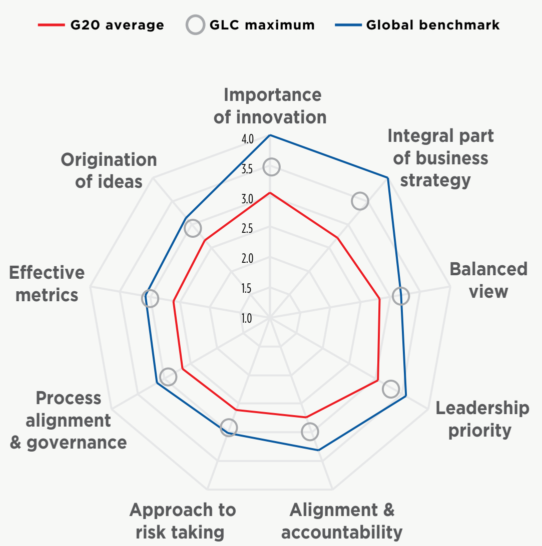
The assessment examined G20's innovation capabilities across 9 key dimensions for innovation – as compared to global best practice scores (see Exhibit 5.4.4). Results showed that:

- G20 scores fell short of global best practice. The overall innovation score for G20 is 2.7 (out of a maximum of 4.0), compared to 3.2 for global best practice
- There was a wide variance in capabilities across GLCs
- On certain dimensions, some G20 are close to best practice level. Some GLCs perform at global best practice levels (e.g. in having "a balanced view to innovation" and in "approach to risk taking")

In addition to the innovation assessment, Maybank proposed establishing a National Customer Satisfaction Index to PCG. This index would serve as a common benchmark to gauge customer service levels among corporations. Subsequently, a task force for the GLC Customer Satisfaction Index (GCSI) Circle was formed amongst the Yellow Book members, led by Maybank and assisted by the PCG Secretariat. Through a collaboration with the Malaysia Productivity Corporation (MPC), the proposal was further developed and the pilot index was launched. This exercise was aimed at elevating the standards of customer service in Malaysia and findings from the exercise showed:

- GLCs needed to increase efforts to become a global service leader - GSCI scored 67%, which is relatively low compared to other selected countries (see Exhibit 5.4.5)
- GLCs needed to raise customer expectations and brand perception - innovation is key in providing excellent service
- GLCs needed to strengthen their approach in handling customer complaints
- 20% of existing disloyal customers could be recovered with the right pricing strategy
- GLCs needed to embark on customer centric initiatives with total employee participation - there is a demand for service excellence amongst the rakyat

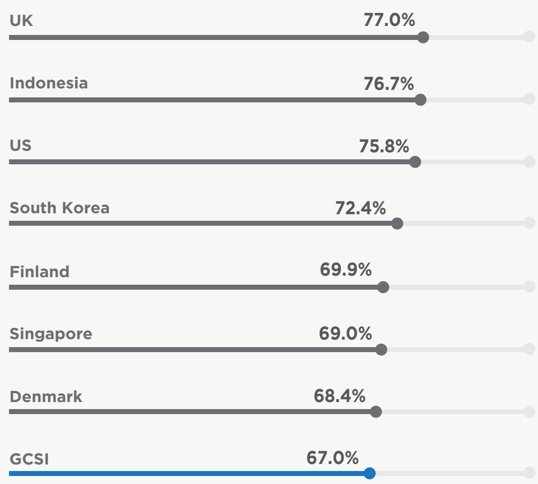
EXHIBIT 5.4.4: AVERAGE INNOVATION SCORES FOR G20



Source: GLC Innovation Survey, 2014

Notes:
1. GLC average refers to the average of each dimension across all GLCs
2.GLC maximum refers to the maximum score in the category for all GLCs
3.Global benchmark refers to the maximum score in the category for all sectors

EXHIBIT 5.4.5: GCSI SCORE COMPARED TO NATIONAL CSI (2011) OF SELECTED COUNTRIES



Source: GLC Customer Satisfaction Index, 2012

E. Improved Social Responsibility and Created Benefits To Society

Silver Book
Achieving Value through Social Responsibility

This Initiative has led to the development of nation-wide CR initiative offshoots such as Pintar Foundation (PF), Yayasan Sejahtera (YS), GDRN and GEMs. All four of these offshoots are independently managed; thereby ensuring its continuity post Programme graduation (see Section 4.4 Benefits to Society for more information on these offshoots).

In June 2014, the PCG Secretariat conducted a Social Return on Investment (SROI) workshop to upskill G20 in the area of impact evaluation. SROI is a quantitative cost-benefit assessment to measure and account for value created by an intervention or initiative by placing a monetary value on outcomes so that they can be compared with the investments made[1].

Following this workshop, a pilot SROI assessment was rolled out to G20, YS and PF. As of June 2015, a total of 21 assessments were submitted by 15 G20 companies, YS and PF. While the submissions differ in their levels of depth and breadth of analysis, this pilot exercise marked a definite step forward. The average SROI for these projects is 8.42:1, which means that, for every RM1 invested, RM8.42 of social value is created. Exhibit 5.4.6 provides an overview of one of the best practice SROI examples.

EXHIBIT 5.4.6: EXAMPLE OF A SILVER BOOK PILOT SROI ASSESSMENT

MRCB

Construction of coastal erosion protection and fisherman jetty in Bagan Ajam

Since the 1980, erosion and siltation problems in the coastal area of Bagan Ajam have affected the community of fishermen by decreasing their source of income and quality of life.

Erosion threatening a building's foundation at Bagan Ajam

In December 2011, MRCB, in collaboration with Lembaga Kemajuan Ikan Malaysia (LKIM), designed a RM40.3 million, 3-year environmental project. LKIM was the main funder while MRCB provided technical expertise in project managing the initiative.

The scope of the SROI assessment is based on the project scope of work, which includes the construction of a jetty from the mainland and beach replenishment. Various stakeholders who were or are impacted by this project, i.e. the fishermen, Persatuan Nelayan Kawasan (PNK) Seberang Perai Unit Bagan Ajam, local community, small business entrepreneurs, property owners, and LKIM, were engaged to (a) identify positive outputs and outcomes, best practices as well as challenges, issues and lessons learnt, and (b) develop and verify key assumptions of the analysis, including indicators and financial proxies.

After projecting the impacts over the next five years, the SROI ratio for this project is 13.16:1[2]. This implies that, **for every RM1 invested, RM13.16 of social value is created** for the local fishermen and the surrounding community in the terms of increased income and improved quality of life.

Source: MRCB's SROI submission to PCG Secretariat; PCG Secretariat analysis

[2] Based on MRCB's investment in the form of human capital and expertise, amounting to RM 0.7 million

[1] The SROI Network, Social Return on Investment- an introduction, 2009

F. Enhanced Shareholder Activism

GLIC M&M

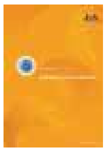
Enhancing GLIC Monitoring & Management Capabilities and Processes

The GLIC Monitoring & Management (M&M) framework was launched in December 2006 to help GLICs enhance their capabilities and processes to monitor the GLCs under their control and purview. Each GLIC has a different mandate, investment strategy (e.g. time horizon, risk appetite, investment objectives) and operation style. As there is no single "right way" of working, the M&M framework was developed with the intention of serving as a guideline, and was not meant to be prescriptive. It is therefore up to the individual GLICs to implement practices that are relevant.

Alongside their GLC recommendations, the PCG urged all GLICs to transform, executing the other GLCT Initiatives (i.e. Green Book on Enhancing Board Effectiveness, Orange Book on Strengthening Leadership Development, Blue Book on Intensifying Performance Management Practices, Programme on the Framework for Continuous Improvement (Yellow Book) and Malaysian Directors Academy (MINDA), where relevant in order to enhance their respective M&M function. As part of this initiative, a 'nominee director term sheet' was also recommended in order to clarify the nominee directors' roles and interactions with the GLICs.

As a result of this Initiative, GLICs have become more active shareholders, clearly defined roles and strengthened quality, preparation and management of Nominee Directors. The increased capabilities of the GLICs is evidenced by GLC growth and achievements detailed in Chapters 2 and 3 as the GLICs played an active role in GLC's development via the GLC Boards and the appointment of professionals to these Boards.

G. Improvement in the Development of Leaders



Orange Book

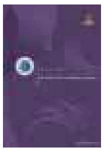
Strengthening Leadership Development

In an effort to address the leadership gap and promote leadership development opportunities, the "GLC Talent Exchange Programme" was launched in June 2008, with 15 participating talents from 10 GLCs/GLICs. The second cycle of the programme in 2009 was separated into the Cross Assignment Programme and the Cross Fertilisation Programme. The former covered GLC exchange of staff whilst the latter covered GLC-Government exchange. The Cross Fertilisation Programme was intended to promote transfer of knowledge and expertise between Government and GLCs and was launched by YAB Prime Minister on September 2009 with 50 participants. An Accelerated Development Programme (ADP) was also launched in 2009, with 14 participants, to develop high potential employees to take on senior leadership/C-suite positions over the next 2 to 5 years.

Although there has been marked improvement in the supply of leaders, as evidenced by the 2014 LDA, much work still needs to be done to strengthen the leadership pipeline. Based on the 2014 LDA, the readiness of leadership supply in Malaysia is still lagging behind global benchmarks (see Exhibit 5.2.1 for further details on the LDA). Yet despite this lag in leadership readiness, GLCs continue to produce leaders with 13 out of 17 G20 CEOs having been developed within the GLCs themselves.

In the 10 year span of the GLCT Programme, leaders such as Dato' Sri Idris Jala and Dato' Sri Abdul Wahid Omar – who helmed MAS and Maybank respectively – have moved beyond their role as CEOs of GLCs and took up larger responsibilities as leaders of the nation. Dato' Sri Idris Jala is a Minister in the Prime Minister's Department and is also the CEO of PEMANDU, while Dato' Sri Abdul Wahid Omar is a Minister in the Prime Minister's Department. Many GLC alumni are also holding senior positions in multi-national companies such as Chief Financial Officer of AG Insurance, Managing Director of Deutsche Bank Singapore, Head of Retail Clients at Standard Chartered Bank Malaysia, and Executive Director of UBS Investment Bank.

H. Improved Their Capital Management Practices



Purple Book
Optimising Capital Management Practices

Strengthening Of Balance Sheets via Clear Risk Reduction In G20 Capital Structure

Throughout the GLCT Programme, GLCs have increased TSR, market capitalisation and dividend payout. Many of these improvements were driven by increased revenues and net profits. However, GLCs also improved their capital management practices, which allowed them to reduce their risk positions and increase shareholder returns throughout the GLCT Programme. Early in the Programme, capital management was identified as a key improvement area for the GLCs. To address this opportunity, the Purple Book was developed. The Purple Book covered capital management initiatives such as non-core asset disposal, balance sheet improvement and returning excess cash to shareholders.

Using the capital management practices defined in the Purple Book, GLCs have strengthened their balance sheets and reduced the risk profile of their capital structures. Additionally, G20 non-bank companies have gradually reduced their exposure to financial risks via lower gearing.

A combination of stronger retained earnings and equity cash calls have reduced G20 non-bank gearing (as measured by debt over equity) from 51.4% in FY2004 to 45.8% in FY2014. This trend was especially noticeable in the period after the Global Financial Crisis of 2008 (see Exhibit 2.14 in Chapter 2). This reduction in G20 capital structure risk compares favourably with the broader market, where average FBMKLCI non-bank gearing rose from 62% in FY2004 to 85% in FY2014. Accordingly, lower G20 non-bank gearing has also reduced the G20 non-bank debt-to-asset ratio from 21.9% in FY2004 to 18.3% in FY2014 (see Exhibit 2.15 in Chapter 2).

Increased Dividend Payouts

Alongside balance sheet risk reduction, the improvement in GLC capital management practices have led to higher dividend payouts. According to the Purple Book, GLCs should avoid excessive cash positions as the additional cash could be returned to shareholders via increased dividends, allowing the shareholders to re-invest it and improve overall returns. As such, GLICs and GLCs were able to return excess capital to shareholders via special dividend pay-outs, which also supported TSR throughout the Programme. G20 dividend payout ratio averaged 57.2% from FY2004-FY2014, exceeding FBMKLCI's average of 54.9% over the same period. G20 dividend payout ratio also increased from 45.3% in FY2004 to 58.4% in FY2014. From FY2004 – FY2014, G20 returned a cumulative RM108.6 billion in dividends to shareholders, which is nearly equivalent to the RM 133.8 billion market capitalisation of the G15 at the start of the GLCT Programme on 14 May 2004 (see Exhibit 2.3 in Chapter 2).

I. Improving Regulatory Capacity

White Book

Creating Value through Regulatory Management

In line with the GLCT Programme's efforts to improve the regulatory environment, a series of five workshops on regulatory management and basic regulatory economics were conducted for GLCs in 2006 while two workshops were conducted for regulators and policy-makers in 2007. These workshops culminated in the launch of the White Book in September 2008, which provided the GLCs with best practices on regulatory management and helped to enhance their regulatory capabilities. Exhibit 5.4.7 displays two examples of regulatory reforms with favourable outcomes as a result of the steer and assistance from the White Book.

In addition to the White Book, University Malaya - Malaysian Centre of Regulatory Studies (UMCoRS) was established as an offshoot on 21 April 2008 through a RM30 million endownment from Khazanah Nasional Berhad to improve the regulatory environment through multi-disciplinary research and study of the intersections between law, business and economics. UMCoRS aims to meet the demands for knowledge in the area of regulatory studies by developing and delivering training and capacity building workshops, seminars, conferences as well as regulatory research and advisory.

EXHIBIT 5.4.7: SELECTED EXAMPLES OF REGULATORY REFORM

Energy Imbalance Cost Pass-through Mechanism

A result of what it sees as one-sided agreements, TNB has constantly advocated against bearing fuel cost increases passed on from independent power producers (IPPs). In response to this, in January 2014, the Government introduced an Imbalance Cost Pass Through (ICPT) mechanism for the power sector.

Part of a wider economic regulatory framework called Incentive Based Regulation (IBR), the ICPT allows for fuel costs to be reviewed every six months and changes (upward or downward) in the fuel cost due to the fluctuation in the fuel prices (namely gas, LNG, coal and alternative fuel) will be passed through in the end-user tariff.

Malaysian Aviation Commission

The aviation industry in Malaysia is overseen by multiple players which leads to overlapping jurisdiction and administrative inefficiencies. In light of this, Khazanah proposed the establishment of the Malaysian Aviation Commission as part of its 12-Point MAS Recovery Plan.

In May 2015, the Prime Minister announced, under the Eleventh Malaysia Plan, that a Malaysian Aviation Commission would be incorporated in July 2015 to provide for a more structured and systematic aviation industry. The responsibilities of the independent regulatory body include economic regulation and consumer protection in the industry.

(See Appendix on "GLCT Programme Initiative Key Milestones" for a timeline of the key activities and outputs relating to the Initiative Books).

6

INSIGHTS AND REFORMS INSTITUTED BY THE GLCT PROGRAMME

MRCB head office located in the heart of their prized development, KL Sentral

This Chapter has 2 sections. The first titled "Background, Journey and Insights Into the GLCT Programme" looks into the context in the years leading up to 2004 which made GLC transformation an urgent call, and people who were instrumental to the development of the Programme. It also examines the impact created by the GLCT Programme and what "moved the needle" and worked in creating a performance culture at GLCs. Leadership, accountability, consistency and discipline in programme management, as well as collective power were identified as some of the key success factors of the GLCT Programme.

The second section titled "Critiques on GLCs and Reforms Instituted by the GLCT Programme" examines some of the challenges faced by GLCs. Specifically, the role of government in business continues to be a hotly-debated topic the world over. In Malaysia, 3 common critiques are levelled against GLCs which are on the issues of "crowding-out" of the private sector, political influences in decision-making as well as the underperformance of GLCs.

The GLCT Programme recognised these critiques and this special feature will bring the reader through some of the reforms instituted by the Programme in response. GLCs under the five GLICS have indeed become "a part of the solution" and no longer "a part of the problem".

6 Insights and Reforms Instituted by the GLCT Programme

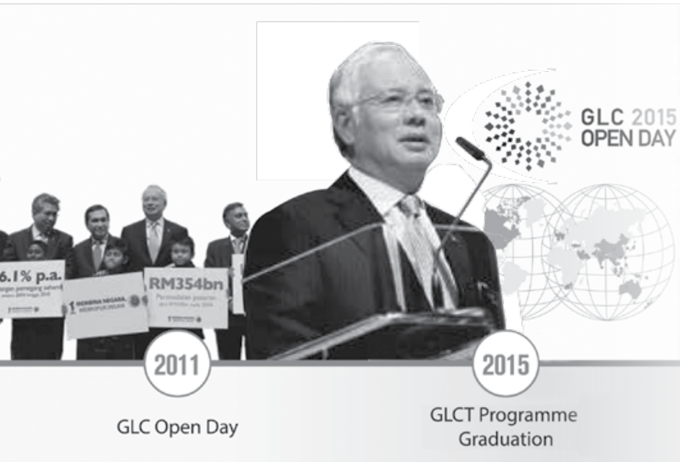
6.1 Background, Journey and Insights Into The GLCT Programme

6.1.1 Context For Change

In 1990, Tun Dr. Mahathir Mohamad, the fourth Prime Minister of Malaysia, introduced Vision 2020 – a bold ambition to transform Malaysia into a fully developed country by 2020. Since then, the nation has developed and grown with equity, but at the same time, many new challenges and concomitant opportunities have also emerged, including:

- the increasing pace of globalisation
- greater economic liberalisation and international competition
- the fall of communism and entry of former communist states into the global marketplace
- the rise of China and India as economic powers; and
- the rapid growth of financial liberalisation (and increased instability) in the global financial system.

Within the context of a rapidly changing world, it was clear that Malaysia would need to improve in order to compete and achieve this vision.



GLC Open Day
GLCT Programme Graduation

A. GLCs formed an important part of the national economy

Throughout the growth and evolution of Malaysia's economy, GLCs and their controlling shareholders (i.e. GLICs), constituted a significant part of the economic structure of the nation (see Exhibit 6.1.1). In 2005, GLCs accounted for approximately RM260 billion in market capitalisation or approximately 36% and 54% respectively of the market capitalisation of Bursa Malaysia and the benchmark Kuala Lumpur Composite Index (KLCI)[1].

Within the same time period, GLCs accounted for an estimated 5% of the national workforce and were the main service providers to the nation in key strategic utilities and services including electricity, telecommunications, postal services, airlines, airports, public transport, banking and financial services[1].

The significant role GLCs played as service providers further underscored their importance to the private sector and the economy at large. It meant that GLCs were in a position to contribute significantly towards improving the quality of life for all Malaysians. It is also important to note that public funds were invested in many GLCs (via EPF and PNB) and were therefore reliant on their performance in order to return good dividends to the investing public.

[1] Transformation Manual, 2005

In areas of industrial policy and development such as automotive and semi-conductors, GLCs played an important role in executing Government policies and initiatives and in building capabilities and knowledge in key sectors. Furthermore, with their long experience, significant scale and assets, and government-to-government links, GLCs were strategically placed to take advantage of cross-border opportunities. With the right focus and effort, GLCs could be global players in their own fields, capable of exporting and branding their products, services and expertise in support of a gradual internationalisation of Malaysian economic interests that was highly aligned with increased global economic liberalisation.

B. GLCs' underperformance signalled an urgent need for transformation

While GLCs played an important role in the Malaysian economy, they underperformed their peer group and the broader market on numerous operational and financial indicators in the 15 years prior to 2005. GLCs had not been employing labour or capital as effectively as the broader market and one study found that GLCs underperformed the broader Malaysian market on all key financial indicators except for size[2].

In addition, of the 15 larger GLCs, which represent approximately 65% of the market capitalisation of all listed GLCs (as at 14 May 2004), only 7 created EP in financial year 2004, in spite of all 15 being profitable from an accounting standpoint[1].

Apart from the GLCs' underperformance, the urgent need for transformation was further underscored by the rapid growth of international competition and the set-backs to achieve the 2020 ambition, which was in part due to the hiatus caused by the Asian Financial Crisis.

EXHIBIT 6.1.1: HISTORY AND EVOLUTION OF GLCS

The history and evolution of GLCs over the past six decades can be broadly categorised by four distinct phases, namely;

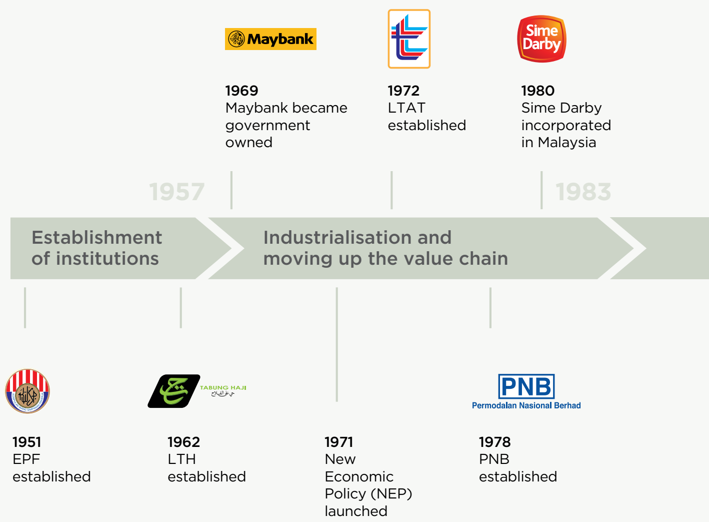
- Nationalisation
- Corporatisation
- Recapitalisation and restructuring
- Development of internationally competitive financial institutions

The drivers of each phase hinged on the broader Malaysian economic landscape which will be discussed further in the following paragraphs.

Nationalisation of foreign owned companies following the independence of Malaya and industrialisation of the Malaysian economy

During the colonial days of Malaya, European and Chinese traders established agency houses, which contributed greatly to the economy of pre-independence Malaysia by exporting agricultural and mining products to Europe. Upon the exit of British traders, the Government and local institutions bought over these companies to assume control of the Nation's most important export trades.

Under government ownership, GLCs like Boustead, Sime Darby, CCM and UMW have industrialised and increased value-add to Malaysia's natural resources by expanding downstream into processing, making significant investments in research and development in their respective fields and expanding their operations overseas. During this period, Maybank was also recapitalised in 1969 resulting in Government ownership.



[1] Transformation Manual, 2005
[2] CIMB, GLCs- Issues & Prospects, June 2004

Corporatisation of selected government entities to capitalise on the rapid economic growth in Malaysia

Some GLCs were originally established as government entities as they provided essential public services such as postal services, telecommunications and electricity.

In the 1980s, the Government began re-appraising its role in providing public services due to the vast public resources required to maintain these departments. With the introduction of "Malaysia Incorporated" in 1983, the Government embarked on a corporatisation exercise of several government entities, marking a new way of approaching the task of national development. This concept was based on the idea that the nation is a corporate or business entity, jointly owned by both sectors and working together in pursuit of a common mission of the nation.

Although the Government continued to retain some control of these GLCs, which includes Jabatan Telekom Malaysia (TM), Lembaga Letrik Negara (TNB), Malaysian Airports and the Postal Services Department due to the mission-critical nature of their services, these companies have since adopted private sector best practices to improve efficiency and increase competitiveness.

Recapitalisation and restructuring of GLCs after the Asian Financial Crisis

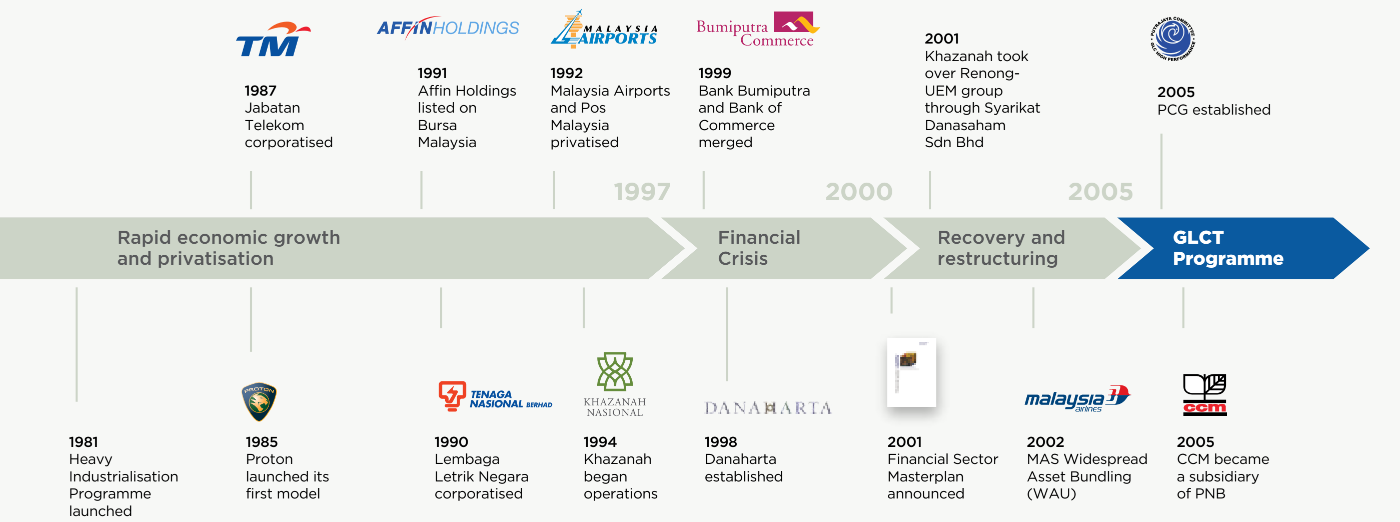
In 1997, the structure of Malaysia's economy was significantly impacted by the Asian Financial Crisis (AFC). During the AFC, companies such as UEM World, MAS, MRCB and Proton, who were previously undergoing rapid growth due to the industrialisation drive and the economic boom, were subsequently saddled with foreign denominated debt and their loans were mismatched to their operations in terms of currency and foreign exchange rates made loan servicing nearly impossible. These companies found themselves unable to bear the burden of interest payments or secure new financing which affected their operations.

Due to the strategic nature, strong sector linkages and large employee pools of these companies, the Government had to intervene to aid the recapitalisation of these companies, consequently bringing them into the GLC fraternity. This move was instrumental in assisting these GLCs in making clear progress in the recovery and restructuring process. As a result, many GLCs have successfully underwent major corporate restructuring, debt restructuring and operational re-organisation to emerge as stronger organisations.

Development of internationally competitive financial institutions to aid recovery from the Asian Financial Crisis

In tandem, Bank Negara was instrumental in chartering a direction for the banking sector, particularly with the development of the Financial Sector Master Plan in 2001 that resulted in the consolidation of the banking sector. Some banks established by the Government underwent mergers as is the case with Bank Bumiputra and Bank of Commerce, one of the key corporate exercises that forms CIMB today.

Over the years, state-owned banks have played a role in the implementation of national growth policies such as the New Economic Policy, by mobilising domestic savings to priority sectors. The call for greater Government involvement was heightened during the Asian Financial Crisis and in response, Danaharta and Danamodal were established to restructure non-performing loans and recapitalise ailing banks from consolidation to prevent the financial sector from being severely disrupted. Over seven and a half years, Danaharta dealt with 2,902 Non-Performing Loans (NPL) accounts, negotiated with more than 2,563 borrowers and, recovered over RM30 billion from an NPL portfolio of over RM50 billion before it ceased operations in 2005.



6.1.2. Development of GLCT Programme

After Malaysia successfully navigated the 1997-1998 AFC, the Government drove the reform of the corporate sector in response to the need for more permanent measures to stabilise the Malaysian economy. The reform began with the most urgent cases, such as;

- MRCB which was on the verge of bankruptcy
- Renong (now known as UEM) which was struggling to service corporate borrowings, and
- LTH which had problems with liquidity

The successful restructuring of these companies inspired former Prime Minister Tun Abdullah Ahmad Badawi and the then Minister of Finance II, Tan Sri Nor Mohamed Yakcop to instil a performance-oriented culture in GLCs and drive GLC transformation in a more structured and notable manner. With that, the idea of the GLCT Programme was born.

A. Tun Abdullah Ahmad Badawi's announcement on 14 May 2004 marked the start of the GLCT Programme

On 14 May 2004, former Prime Minister Tun Abdullah Ahmad Badawi gave a landmark speech at a seminar for high performance culture in GLCs, attended by GLC board members and senior management. This speech marked the start of the GLCT Programme and introduced four measures to be implemented in GLCs:

1. KPIs and PLC
    - A booklet on thirteen guidelines to implement performance-linked compensation (informally known as Blue Book Version 1) was introduced.
2. Performance contracts for senior management
    - GLC senior management were all to be put on 3-year performance contracts.
3. Board composition reform
    - Number of board members was to be reduced to 10 or less
    - More professional and experienced directors were to be appointed
    - Regulators were to be removed from Boards
4. Revamp of Khazanah
    - Khazanah was to be one of the biggest and most dynamic investment house in the region
    - The Board would be restructured and new professional senior management would be appointed
    - Khazanah was also mandated to drive transformation of GLCs in its portfolio

Following the introduction of these measures, Tan Sri Azman Mokhtar was appointed as the Managing Director of Khazanah on 1 June 2004 to spearhead Khazanah's new mandate to drive shareholder value creation, efficiency gains and corporate governance in GLCs.

While (the) macroeconomic imperative of balanced growth with equity is the bedrock of long-run development and national competitiveness, it is especially pertinent to recognise, in the context of [the Programme], that productivity, efficiency and wealth creation are ultimately achieved at the microeconomic or firm level. Hence, our programme for the reenergising of GLCs.

Tan Sri Nor Mohamed Yakcop
Former Minister of Finance II
Current Deputy Chairman, Khazanah Nasional Berhad
Speech at the Kuala Lumpur Business Club, June 2004

B. GLCT Programme adopted a programme management approach which covered five federal owned GLICs and the GLCs under them

Given the enormity of the task ahead, it was crucial to identify a robust approach that would result in the successful transformation of GLCs. After much careful deliberation and debate with Mohan Rajasooria, a Director of Investments at Khazanah, Tan Sri Azman Mokhtar landed on a programme management approach to drive Khazanah's transformation efforts.

Mohan believed that a programme with an implementable plan, effective structure, clear milestones and KPIs and intense oversight was necessary for such a mammoth task. Inter alia, the following benefits of a programme approach were particularly critical in ensuring the Programme's success:

- The structure and rigour of a programme provided more assurance that the intended outcomes would be achieved. Performance pressure was generated through oversight and monitoring.
- A programme would provide "air cover" or "legitimacy" for GLICs and GLCs to make hard changes and would facilitate communication, sharing and networking among them.

After some further refinement of the programme management approach, Tan Sri Azman Mokhtar syndicated it with the former Prime Minister. Tun Abdullah Ahmad Badawi was not only favourable to the idea of establishing a structured programme to transform Khazanah-owned GLCs, but also wanted the programme to cover four other federal owned GLICs (i.e. EPF, Khazanah, LTAT, LTH and PNB) as all GLICs would stand to benefit from high performing GLCs . Subsequently, 15 of the larger GLCs under these GLICs' purview were identified as a proxy for all GLCs under the five GLICs, as they accounted for approximately 65% of the market capitalisation of all listed GLCs (as at 14 May 2004)[1].

In January 2005, the Putrajaya Committee for GLC High Performance (PCG) was formed to sustain momentum created by the launch of the four measures in May 2004. From 2005 to 2008, PCG was chaired by the former Second Finance Minister, Tan Sri Nor, and reported directly to former Prime Minister Tun Abdullah Ahmad Badawi. Membership of the PCG consisted of the heads of EPF, Khazanah, LTAT, LTH and PNB, and representatives from the Prime Minister's Office and the Ministry of Finance Inc. (MKD). Khazanah acted as the Secretariat to PCG which led the PCG JWT, which consisted of representatives from all GLICs.

PCG's principal mandate was to design and implement comprehensive policies and guidelines to transform GLCs into high performing companies, as well as establish the framework to first programme-manage and subsequently oversee the execution of these policies and guidelines.

Based on a review of the successful transformation of other nations' state-owned enterprises, it was clear that the transformation of GLCs was a long journey that was likely to take anything from 5 to 10 years. As such, the PCG agreed that the GLCT Programme should be designed as a long-term programme where the full benefits were expected to be gained over the long run. Consequently, the PCG set a target of 10 years to 2015 for the nation to reap the full benefits, with intermediate phases where partial yet significant impact could be achieved (see Exhibit 1.5 in Chapter 1 for the four phases of the implementation plan).

When the YAB Prime Minister first announced the framework for change in Khazanah's mandate in May this year, it was within the broader context of the very important task of improving national competitiveness and total factor productivity. This is especially pertinent in view of the increasing pressures of liberalisation and globalisation, where the nation's economic agents needs to be more engaged into the global system and to do so on a sustained basis would mean being ready for competition.

Tan Sri Dato' Azman Hj. Mokhtar
Managing Director, Khazanah Nasional Berhad
Speech on "Remaking Khazanah and the GLCs,"
at the Kuala Lumpur Business Club, 4 October 2004

[1] Transformation Manual, 2005

28th PCG meeting in session with all PCG members on 15 May 2015

C. PCG's findings of the five root causes of GLCs' underperformance culminated in the Transformation Manual

From January to July 2005, the PCG through the JWT conducted a significant amount of research and analysis into the causes and issues surrounding GLC underperformance. Various research methodologies were employed, including conducting over one hundred interviews, reviewing relevant best practices, regional and international benchmarking, and a review of existing policies and legal frameworks governing GLCs.

Several key challenges to performance emerged strongly from the various interviews and analysis and can be summarised as follows:

1. **Ambiguity on GLC objectives**

   There was a need to increase focus on value creation and provide clarity on how GLCs should balance this with their social obligations.

2. **Lack of clarity and transparency on Board and management authority**

   Clear and streamlined Board reporting lines were needed to increase empowerment. Interaction between Boards and management also needed improvement. For some GLCs, the relatively short, single-term tenure of CEOs resulted in disruption to the overall strategy and running of the company every two to three years.

3. **Ineffective directors and boards**

   More board directors with relevant operational, functional or international experience were needed. Correspondingly, better selection processes, access to a wider pool of candidates, and more attractive propositions for directors needed to be in place.

4. **Lack of strong performance management and financial discipline culture**

   Performance management systems needed to be improved, including more differentiated pay for performance. Greater focus on financials and return on investment was also needed.

5. **Credible, capable and active GLICs**

   GLICs had to enhance their capabilities and be more active in the monitoring and management of their portfolio companies.

Findings from PCG's research on the biggest common challenges to the GLCs formed the basis of the GLCT Programme's 3 Underlying Principles, 5 Policy Thrusts, and 10 Initiatives as illustrated in Exhibit 1.1 in Chapter 1. These were further developed and documented in the Transformation Manual.

During the official launch of the GLCT Programme on 29 July 2005, the Prime Minister presented each of the GLIC chairmen with a copy of the Transformation Manual. It was a symbolic handing of responsibility to the GLIC to execute and deliver on the Programme. While the Government provided the enabling environment for GLCs to perform, it was up to the collective and individual determination of Chairmen, Boards and management of GLICs and GLCs to lead and execute on this journey.

After the tone and momentum had been set, the focus shifted to the execution. As Tan Sri Azman Mokhtar put it somewhat morbidly and only half in jest at a talk, "*Execute-lah kamu sebelum kamu di execute-kan*" which translates into "Execute before you are executed."

1. Tun Abdullah Ahmad Badawi presenting the Transformation Manuals to the GLIC chairmen at the official launch of the GLCT programmein 2005, as the then Deputy Prime Minister Dato' Sri Mohd Najib Tun Hj. Abdul Razak looks on
2. (From left) Tan Sri Amirsham Abdul Aziz, Tan Sri Mohd Hassan Marican, Tan Sri Azman Hj. Mokhtar and Dato' Sri Idris Jala at the 2006 Initiative Book Launch and Transformation Seminar organised by PCG

D. PCG Secretariat played a central role in the GLCT Programme rollout

After the official launch of the GLCT Programme, the PCG Secretariat was established in Khazanah. Its main role was to develop the GLCT Initiatives further into Initiative Books, launch them and thereafter monitor implementation at GLCs. Beyond this, the PCG Secretariat also performed the critical role of coordinating among multiple agencies, conducting stakeholder engagement and communication on the Programme, and subsequently – given it had obtained subject-matter expertise through developing and launching the Initiative Books – providing problem solving support on an ad-hoc basis to GLCs in relation to implementation of the Initiatives (refer to Chapter 5 for more details on "Programme Managing the GLC Transformation").

The Initiatives, communicated through Books, Workshops, and Circles, served three important roles:

i. They established clear standards or benchmarks to which GLCs should aspire. Clear standards, targets or definitions of 'good performance' had been set for GLCs in each Initiative so that GLCs knew exactly what was required of them and could calibrate their performance accordingly. The books also provided a "commom language" for the GLCs to interact with one another, especially of the Initiative Circles.

ii. The initiatives provided "air-cover" and legitimacy for GLICs and GLCs to conduct their operations professionally and on a commercial basis. The Initiative Books also removed some ambiguities and assumptions on sometimes sensitive issues (e.g. how to address social obligation and procurement issues).

iii. The Initiative Books provided best practices and case studies that had been tailored to the GLC context. These proved to be valuable educational tools and references for many GLCs. The Books also proved to be an optimal way to provide knowledge to many companies. It would have been a greater drain on resources and significantly more inefficient if GLCs had been left to individually deepen their knowledge on such a broad range of functional areas.

Tun Abdullah Ahmad Badawi and Tan Sri Nor Mohamed Yakcop at the GLCT Programme progress update and Initiative Books launch in 2006

6.1.3 The GLCT Programme's 10-Year Journey

After the foundation was laid, GLCs embarked on the ten year journey to transform themselves into high performing companies that would ultimately contribute to the social and economic development of the country. This journey's chronology of events were as follows:

A. Initial market anticipation, disappointment and subsequent 'J-curve' recovery

B. Weathering the 2008 Global Financial Crisis and support from the sixth Prime Minister of Malaysia

C. Increasing focus on national development and GLCT Programme "graduation"

A. Initial market anticipation, disappointment and subsequent 'J-curve' recovery

The announcement of the GLC transformation in May 2004 to revitalise GLCs was met with huge approval from analysts and investors. For the first time in a very long while, both Telekom Malaysia and Tenaga's share prices outperformed most large companies and many smaller ones over a six-month period post-May 2004.

However in 2005, all but a few of the GLCs performed below market expectations with regards to earnings and operations. The disappointment was reflected in The Star Bizweek's informal poll of fund managers and analysts on what they thought of the progress of the revamp. For instance, Avenue Securities remarked, "It is no secret that the strong performance of most GLC stocks over the past 18 months (since May 2004) has been largely driven by hype of potential corporate restructuring, which could lead to higher operating efficiency, hence, stronger earnings growth. While we do agree that the revamp is an ongoing process, we have yet to witness any clear sign of earnings delivery."

Nevertheless, the performance of G20 in 2006 proved a timely boost as net profit escalated by a commendable 49% from FY2005. Net profit then spiked a further 83% year-on-year (yoy) to RM19.2 billion in FY2007 (a 194% increase compared to earnings in FY2004) as the reforms continued to gain traction. Charting the earnings results from 2004 to 2007 showed a clear 'J-curve' of recovery, where the dip was largely due to the clean-up year of 2005 where many GLCs provided or wrote-off legacy items[3].

In the early days I was apprehensive about how the GLCT programme would impact our business as smart new professionals at Khazanah and GLC's would be less dependent on advice from investment bankers. It turned out quite different. There were so many more deals and fees for bankers to earn with the GLCT programme, but the new GLC CEO's and CFO's demanded so much more from their advisers in terms of quality of advice and value add. And CIMB had to rise to the occasion or lose our dominant share of this client set, no matter our shared parentage, as our staff were told on many occasions. CIMB would not have transformed from a Malaysian investment bank into ASEAN's fifth largest universal bank without the GLCT programme. We would not have dreamt of it nor would we have turned it into reality without the support of Khazanah, our major shareholder, and the overall spirit of value creating change embodied in the GLCT programme launched in 2005.

Dato' Sri Nazir Razak
Chairman, CIMB Group Berhad

[3] GLCT Programme Progress Review, 2009

B. Weathering the 2008 Global Financial Crisis and support from the sixth Prime Minister of Malaysia

Malaysia was not spared from the knock-on effects of the 2008 Global Financial Crisis (GFC). The GFC sent the world's economy into a tailspin and reversed most G20 market capitalisation gains from the period 2004 to 2007. Nonetheless, GLCs entered the crisis from a position of relative strength, due in no small part to the restructuring and transformation work under the GLCT Programme that started in 2004. Based on PCG Secretariat's stress testing, it was clear that without these prior measures, several companies, especially those in the more difficult cyclical sectors such as aviation, electricity, infrastructure and automotive, would have been in severe financial distress and in some cases may not have even survived.

Within the first six months of 2009, GLICs and GLCs quickly translated the results of the scenario planning and rigorous stress testing into a string of defensive measures to be implemented, such as cost cutting, rearranging financing lines, "armour plating" balance sheets, reviewing counter parties, and most of all managing cash flows.

The ability of Malaysia's GLCs to weather the 2008 crisis showed that GLCs were, on the whole, much more resilient than before, as evidenced by stronger gearing, debt service and other cash flow ratios.

These improvements signalled the effectiveness of the GLCT Programme, which led YAB Dato' Sri Mohd Najib's reaffirmation of the Government's commitment when he took office in 2009. At the 2009 Invest Malaysia event, in his keynote address, he encouraged GLCs to maintain their focus on performance and competitiveness, and that they had to be benchmarked, not only locally but at global standards.

C. Increasing focus on national development and GLCT Programme "graduation"

In March 2010, the Government of Malaysia launched the NEM to help propel Malaysia to become a developed and competitive economy by 2020. The PCG then announced 5 roles for GLICs and GLCs to clearly articulate how the GLCT Programme would support this national agenda. These 5 roles provided the GLCT fraternity with a common understanding, language and framework to reinforce the NEM.

Apart from alignment with NEM, GLCs have also been supporting other National Transformation Programmes, such as the GTP and ETP.

GLCs have also been actively increasing their efforts to elevate diversity, inclusivity and sustainability practices within their organisations, including the implementation of work-life practices to encourage greater female employment.

In a move to further strengthen and professionalise GLICs' and G20's support of BEE Agenda, which was launched by the government in 2013, the PCG established the Bumiputera Empowerment Agenda (BEA). Under the BEA, various initiatives have been implemented by both GLICs and G20, benefitting Bumiputera entrepreneurs, employees, students and the larger community

(See Chapter 3 on "Catalysing Nation Building" for further details on GLCs efforts in this area.)

GLCs must aspire to greater heights, whether in terms of being best in class or emerging as future regional if not global champions... The success of such Malaysian champions will help define the boundaries and reach of Malaysia Inc. in the years to come.

YAB Dato' Sri Mohd Najib Tun Hj. Abdul Razak
Prime Minister of Malaysia
Invest Malaysia, 30 June 2009

GLCs have graduated from the ten-year GLCT Programme. The term “graduation” (as opposed to “end”) is used to signify that GLICs and GLCs will continue to deliver the Programme’s 3 Underlying Principles (i.e. performance focus; national development foundation; governance, shareholders and stakeholder management) post the Programme.

In the run up to graduation, there was greater emphasis on transitioning the management of Initiative Circles from the PCG Secretariat to the G20 fraternity since 2013 (see Chapter 5 on “Programme Managing the GLC Transformation” for further details on the transition efforts).

Additionally, the creation of “successor entity” has been mooted as a new platform to ensure that the network effect that has been created by the Programme continues, post Programme graduation (see Chapter 7 on the “Way Forward” for further details on the successor entity).

Guests at the opening of the GLC Open Day 2011

6.1.4 Impact of GLCT Programme

While the transformation journey was not without its peaks and troughs, the positive impact of the Programme was evident through the GLCs ability to achieve the objectives of the Programme, which is to deliver significant financial value, support nation building and provide benefits to all stakeholders. Apart from achieving overt Programme objectives, the Programme also produced the additional impact for the country and *rakyat* by:

- triggering a series of Government transformation programmes,
- garnering international recognition,
- establishing successful offshoots from the GLCT Programme Initiatives, and
- generating leadership opportunities for talented young professionals

A. Delivered significant financial value, supported nation building and provided benefits to all stakeholders

G20 market capitalisation grew 2.9 times (or RM252.2 billion) from RM133.8 billion to RM386.0 billion from 14 May 2004 to 28 July 2015. Over the same period, G20 TSR grew 11.1% per annum. Meanwhile, G20 net profit hit RM26.2 billion in FY2014, close to the all-time high of RM26.3 billion in FY2013, and grew at a compounded annual growth rate (CAGR) of 10.2% from FY2004 to FY2014. G20 has also internationalised its presence, drawing 34% of its revenue from abroad and operating in at least 42 countries. Some GLCs have also made an impact regionally and globally such as CIMB, Maybank, Axiata, IHH, Sime Darby, MAHB.

GLCs have significantly contributed to nation-building through various efforts such as supporting the GTP and ETP; developing new, knowledge-based and service-oriented industries and sectors; and being involved in the development of the economic corridors, all of which are catalytic in nature and aimed at moving the nation further up the economic value chain. GLCs have been supporting the local economy, with G20 spending RM153.9 billion in domestic investments from FY2004 to FY2014, and providing employment to 225,050 Malaysians in 2014.

GLCs are also promoting growth with inclusivity by enhancing diversity of their workforce in terms of gender, ethnicity and age. GLCs are also continuously improving their work-life practices, including by providing family-friendly facilities at the work place and flexible work arrangements. In 2014, about 16.9% of G20 and its listed subsidiaries' board positions were held by women, compared to 10.2% for all listed companies in Malaysia.

As a result of G20's strong financial performance, they have been able to contribute RM108.6 billion in dividends and RM62.7 billion in taxes from FY2004 to FY2014, providing returns to the investing public (including contributors to trust agencies such as EPF and PNB) and the *rakyat*. The progress achieved by GLCs has also benefited other stakeholders including customers (through enhanced service standards and products), employees (through training and development including programmes to help non-executives grow professionally), suppliers (through vendor development programmes) and society (through CR initiatives).

The aforementioned impacts are covered in detail in Chapter 2 on "Delivering Financial Performance", Chapter 3 on "Catalysing Nation Building" and Chapter 4 on "Benefitting All Stakeholders."

B. Triggered a series of Government transformation programmes

The GLCT Programme popularised the use of the term "transformation" in Malaysia and engineered a break in the GLC mould – from being heavily Government influenced, to being performance driven companies, strong in governance and run by professionals.

The success of the Programme and its use of KPIs and performance contracts, which was not widely adopted before the Programme, captured the attention of the public and the Government. In fact, this indirectly led to the "Minister KPI Project" with YAB Prime Minister requesting Tan Sri Dato' Azman Hj. Mokhtar to "put the full weight of Khazanah on this project". This "project" eventually led to the establishment of PEMANDU. Similarly, the Education Performance and Delivery Unit (PADU) and Putrajaya Higher Education Delivery Task Force took design cues and learnings from the GLCT Programme.

C. Garnered international recognition for Malaysia

In March 2008, the GLCT Programme received international acclaim with the venerable Lex Column of the London-based Financial Times newspaper commenting that the Programme has successfully transformed the GLCs into radically different companies that are more efficient and focused on meritocracy.

Similarly, in 2013, OECD Investment conducted a policy review of Malaysia, highlighting the encouraging and substantial achievements of GLCT Programme to date, while cautioning that regular initiatives were critical to keep up the momentum and avoid any risks of complacency, given the long-term nature of the Programme. This vigilance is crucial in achieving the ultimate aspirations of the Programme.

"...while GLCs in general still underperform relative to top regional sector peers, some companies with substantial GLC equity interests, such as Axiata, CIMB, and Maybank, have emerged as regional champions in their sectors."

Organisation for Economic Co-operation and Development (OECD)
OECD Investment Policy Reviews: Malaysia 2013

The success of the GLCT Programme has also drawn interest from foreign delegations, consisting of foreign countries, ministries, international organisations, banks, and various other entities. In total, the PCG Secretariat hosted at least 80 visits from 2006 to early 2015, of which 35 were international delegations.

D. Established successful offshoots from the GLCT Programme Initiatives

Another notable impact of the GLCT Programme is the establishment of successful Initiative offshoots. Between 2008 and 2014, the four following nation-wide CR initiatives have been created under Silver Book and the auspices of the GLCT Programme.

i. PINTAR Foundation (PF)

ii. Yayasan Sejahtera (YS)

iii. Graduate Employability Management Scheme (GEMS)

iv. GLC Disaster Relief Network (GDRN)

PF and YS are run as standalone foundations, whilst GEMS has been successfully transitioned from the PCG to TalentCorp Malaysia in 2012. GDRN will be transitioned to the Corporate Sustainability Circle (CSC), which will be led by GLCs. Refer to Chapter 4.4 on "Benefits to Society" for further details on these CR initiatives.

Apart from the establishment of these CR initiatives, the GLCT Programme also led to the establishment of Malaysian Directors' Academy (MINDA) in 2006 and University Malaya - Malaysian Centre of Regulatory Studies (UMCoRS) in 2008. MINDA was established as a part of the Programme's efforts to strengthen director's capabilities, while UMCoRS was established as an offshoots to the Programme's efforts to improve the regulatory environment through multi-disciplinary research and study of the intersections between law, business and economics. Both MINDA and UMCoRS will continue in their respective efforts, post Programme graduation.

E. Generated leadership opportunities for talented young professionals

Due to the scale of the GLCT Programme implementation, many talented young professional Malaysians were given the opportunity to take up top leadership roles at a young age, creating a "waterfall effect" of attracting and grooming professional talent by themselves in turn attracting other young professionals to work with them.

Amongst these young professionals were Dato' Sri Abdul Wahid Omar, Tan Sri Dato' Azman Hj. Mokhtar, Tan Sri Dato' Seri Mohd Bakke Salleh, Dato' Sri Che Khalib Mohamad Noh, Dato' Abdul Rahman Ahmad, and Datuk Shahril Ridza Ridzuan, who at the time were mostly in their 30s, and had not had the opportunity to prove themselves heading major corporations. Yet having been exposed to difficult challenges early and having proven themselves in meeting these challenges, they have now moved on to even bigger responsibilities today, with Dato' Sri Abdul Wahid Omar even becoming a Minister.

The impact of the Programme has been very positive. It added value to the way GLCs progressed and contributed to the Nation's progress through the various guidelines instituted. It encouraged GLCs to implement best practices and go through a process of evolution, in terms of people, manangement, products, amongst others. Credit should be given to those who have successfully made progress.

Tan Sri Dato' Mohd Ghazali Hj. Che Mat
Chairman, Boustead

6.1.5. Key Success Factors

The success of the GLCT Programme and the impact it has created would not have been possible without the following key success factors;

- Leadership at the highest-level, which provided necessary "air cover" for radical changes
- Strong and qualified leaders at the helm of GLCs to drive change at the organisation level
- Headline KPIs and annual progress reviews that instilled performance pressure, accountability and transparency
- Strategic reviews that enabled course corrections to be made, where needed
- Consistency and discipline in programme management and execution to "stay the course"
- Collective power through collaboration

A. Leadership at the highest-level, which provided necessary "air cover" for radical changes

Given GLCs' critical importance for the long-term prosperity of the nation, former Prime Minister Tun Abdullah Ahmad Badawi made the transformation of GLCs a national priority. The Government's commitment at the highest-level was reaffirmed when YAB Prime Minister Dato' Sri Mohd Najib Tun Hj. Abdul Razak took office in 2009.

The way the GLCT Programme was structured gave GLC CEOs the necessary air cover to carry out policy changes and implement measures that were necessary to drive efficiency and effectiveness in their respective organisations.

The air cover came in two forms. Firstly, through former Prime Minister Tun Abdullah Ahmad Badawi, who personally launched the multi-coloured books on various aspects of governance for the GLCs. Secondly, through the support from the Second Minister of Finance, and subsequently YAB Prime Minister, who chaired the PCG, where sensitive issues were discussed and resolved.

B. Strong and qualified leaders at the helm of GLCs to drive change at the organisation level

Another key success factor of the GLCT Programme was having the right leaders at the helm of GLCs that have both the skills and passion to drive change, maintain the momentum and ensure the effectiveness of the transformation efforts at GLCs. From 2004 in 2006 alone, there were 11 CEO changes and 58 board changes in G20 companies[5]. These leaders, young and old alike, had to make and stick to many tough decisions. This included divestments or closure of businesses that were structurally underperforming, changes of Chairman, CEO, Board members and senior executives, as well as large-scale redundancies.

C. Headline KPIs and annual progress reviews that instilled performance pressure, accountability and transparency

While KPIs, Performance-Linked Compensations (PLCs) and performance contracts may be commonplace for many in the private sector, their introduction under the GLCT Programme represented a radical change in approach for GLCs, one that acted as a catalyst for change in the senior ranks and cascaded down to the rest of the organisation.

There were many challenges involved in the set-up of a well-functioning PLC system. Indeed, if the system was poorly designed or badly executed, instead of being an incentive it could result in incentivising wrong behaviours. As Dato' Seri Nazir Razak said, "Having a bad KPI is worse than having no KPI." It is with this in mind that the PCG issued clear guidelines on the principles for PLC design and implementation (as detailed in the Blue Book on Intensifying Performance Management Practices).

In the spirit of performance, accountability and transparency, GLCs were asked to announce their Headline KPIs, which was unprecedented in corporate Malaysia. These Headline KPIs, as approved by the Boards of the respective GLCs, are intended to instil public accountability and put performance pressure on the GLCS – or in other words, "put their feet to the fire". Additionally, the progress and results of the Programme had also been comprehensively documented and made public yearly without fail in annual progress review reports. This transparency reinforced public accountability.

The new Axiata building in the vicinity KL Sentral, Kuala Lumpur

[5] GLCT Programme Progress Review, 2006

D. Strategic reviews that enabled course corrections to be made, where needed

Three strategic reviews (or "stock-takes") were conducted throughout the course of the 10-year GLCT Programme. These strategic reviews were crucial to evaluate if the Programme was on track and enabled course corrections and adjustments to be made, where needed.

E. Consistency and discipline in programme management and execution to "stay the course"

Another key success factor in delivering results has been the programme management approach, which is anchored on discipline and perseverance in execution. These are the simple, incremental building blocks of transformation work. Staying the course is at the heart of this. To quote the wisdom of the American comic and sometimes philosopher, Woody Allen, "Ninety percent of life (and success) is showing up".

Major transformation programmes by their very nature are long-term and require large amounts of perseverance, time, and political will. The GLCT Programme was also unprecedented in terms of its size, scale and extent of effort. Apart from the financial and economic scale of the Programme, a total of 22,981 "man days" went into the development and execution of the Programme from 2005 to 2015.

Vigilant governance and a zero tolerance policy on any breaches of integrity also proved increasingly crucial as the Programme grew and began achieving its key milestones, as success can so often easily breed complacency and hubris.

F. Collective power through collaboration

The concept of the PCG, which was led by a Minister and later the Prime Minister, and brought together GLIC and GLC leaders in a collaborative manner for shared outcomes, was something relatively unheard of in the past. The collaboration between all 5 key change agents (i.e. Government, GLICs, GLC Boards, GLC top management and the PCG Secretariat) was crucial to deliver the Programme's objectives as each agent had its own role to play in providing the right environment for the GLCs to succeed.

Beyond the collaboration at the highest levels, the bottom-up and horizontal syndication process with all affected stakeholder groups (i.e. boards, shareholders, management, staff and unions) was integral in obtaining buy-in for the roll-out of radical changes that were necessary to reach the Programme's goal of producing high performing GLCs. The commitment to protect and benefit impacted stakeholder groups was further evidenced through the design of the GLCs' top management KPIs, which included stakeholder KPIs (i.e. employees, customers, vendors, and the Bumiputera community).

Furthermore, the Programme, in its very design, produced an environment where GLCs as a collective unit was able to accomplish more together, than they would have apart. As a result of working alongside their peers with a common vision, some of the GLCs, which were previously laggards, were spurred to increase their pace of reform.

6.1.6. Conclusion

In conclusion, the GLCT Programme managed to successfully engineer a break in the GLC mould – from being heavily Government influenced and inefficient, to being performance driven companies, strong in governance and run by professionals. As a result, GLCs have become more vibrant, stronger institutions with well-managed balance sheets and greater regional and international presence.

Although the journey has not always been smooth, GLCs have made great strides over the past ten years and would not have been able to do so without the full support of the Government, the presence of leaders who rose to the challenge, the right mechanisms in place and the collaboration and camaraderie between stakeholders.

Moving forward, challenges remain as the competition has not stood still. The creation of the AEC in 2015 presents many opportunities as well as threats and GLCs must be ready to compete. GLCs cannot afford to be complacent but must continue to aspire to greater heights, whether in terms of being best in class or emerging as future regional, if not global, champions (see Chapter 7 on challenges presently faced by GLCs and recommendations for the runway to 2020 and beyond).

For more insights, see appendix on "Landmark Speeches on the GLCT Programme" by YAB Dato' Sri Mohd Najib Tun Hj. Abdul Razak, Tun Abdullah Ahmad Badawi, Tan Sri Nor Mohamed Yakcop and Tan Sri Dato' Azman Hj. Mokhtar.

The UEM headquarters, Mercu UEM in KL Sentral

MAS staff with its flagship Airbus A380

6.2 Critiques on GLCs and Reforms Instituted by the GLCT Programme

The role of government in business continues to be a hotly debated topic all around the world. At the crux of the issue is whether, in the context of a free market that is assumed to allocate resources optimally, government needs to step in to ensure that broader social outcomes – such as energy security and inclusive economic development – are met.

Yet even free markets are not infallible, as the 2008 GFC proved. One of the causes of the crisis was excessive private sector value capture, which may have been prevented had governments monitored and regulated financial institutions more closely. In a similar vein, leaving resource allocation to the free market has created inefficiencies in the distribution of wealth and social benefits, as shareholders' interests are prioritised over interests of stakeholders from the broader society. This in turn has led to growing inequality in capitalist societies across the world – the latter, a widely discussed phenomenon, has been recognised by French economist, Thomas Piketty in his recent thesis, "Capital in the 21st Century".

A CEO Pulse Survey conducted by PwC[1] in January 2015 showed that even CEOs in the private sector believe government ownership has advantages in certain circumstances – such as furthering social outcomes, providing physical infrastructure, and creating stability in times of crisis.

Government involvement in the market generally fulfils three broad roles – as a regulator playing a supervisory role, as a developer of public goods and strategic sectors, and as an investor in state-owned enterprises – and it is if anything, increasing across both developed and developing economies.

This has resulted in GLCs becoming an influential and growing force globally. The proportion of GLCs among the Fortune Global 500 has grown from 9% in 2005 to 23% in 2014[2]. Malaysia in this respect is often cited as an example of an economy with a large GLIC and GLC presence, with 445[3] government-linked companies owned by both federal and state governments.

However, there is also a risk that state ownership can destroy value if best practices in ownership and management are not applied: of most concern are issues of corruption, bribery, and inefficiency. Indeed, three common critiques levelled against GLCs in Malaysia are:

1. 'Crowding-out' of the private sector
2. Political influences in decision-making of GLCs
3. Underperformance by GLCs

In 2004, following underperformance by many GLCs compared to the market, the Government launched the 10-year GLCT Programme, in order to institute reforms and elevate GLCs into high performance companies.

[1] Based on a survey of 153 CEOs around the world in January 2015 on protectionism and government ownership
[2] Based on number of companies; PwC, *State-Owned Enterprises: Catalysts for public value creation?*, 2015
[3] National Economic Advisory Council, *New Economic Model for Malaysia*, 2010

A principal tenet of the Programme, articulated early on by Tan Sri Dato' Azman Hj. Mokhtar, was that the GLCs should be judged by their performance and not by dogmatic and ideological views on whether their ownership structures were right or wrong. Ultimately, the main aim of the Programme was to overcome the pain points often associated with the existence and the operations of GLCs in Malaysia. Tan Sri Dato' Azman Hj. Mokhtar said:

"There are both good private sector companies and good GLCs in as much as there are "not good" or bad private sector companies and "not good" or bad GLCs. We should not be bound by dogmatic and ideological frameworks which dictate that ownership structures (whether private, Government or indeed GLCs) are fundamentally right or wrong, but rather we should judge these firms by their actual behaviour."

The Programme's reforms were applied to a subset of the 445 GLCs – those under the super control or simple control[4] of the five GLICs, EPF, Khazanah, LTAT, LTH and PNB. A selection of large GLCs were used as a proxy for the performance of GLCs under the GLCT Programme (hereafter referred as G20) and represented a majority of the market capitalisation of all listed GLCs (65% in 2004)[5].

(From left to right) Dato' Sri Idris Jala, Tan Sri Dato' Azman Hj. Mokhtar, Tan Sri Dato' Sri Hamad Kama Piah Che Othman, Tan Sri Azlan Zainol, Tan Sri Dato' Seri Hj. Lodin Wok Kamaruddin and Tan Sri Ismee Ismail at the Green and Red Book launch in 2006

[4] Where one GLIC is the majority shareholder or a GLIC is the single largest shareholder, respectively.

[5] At the start of the Programme in 2005, "G15" was selected to act as the proxy of performance for the GLCs under the five GLICs and accounted for 65% of the market capitalisation of listed GLCs. In 2006, "G15" was expanded to "G20". G20 originally comprised of 20 GLCs but currently stands at 17 due to various mergers, demergers, divestments and other corporate exercises over the years. Refer to Chapter 1 on the "GLCT Programme Overview" for further details on the composition of G15/G20.

As a response to the critiques, the GLCT Programme was founded on 3 Underlying Principles:

1. GLCs must first and foremost be focused on performance (1st principle).
2. Only with performance and results can they be "part of the solution" in helping to develop the country (2nd principle).
3. In executing the first two principles, GLCs are expected to operate within a clear governance structure and serve all stakeholder interests (3rd principle).

5 Policy Thrusts and 10 Initiatives were developed to provide best practice guidelines to GLCs to operationalise the 3 Underlying Principles. (Refer to Chapter 1 on the "GLCT Programme Overview" and Chapter 5 on "Programme Managing the GLC Transformation" for more information on these principles, thrusts and initiatives.) The rest of this section illustrates further the various reforms put in place bythe GLCT Programme to address the three common critiques on GLCs.

GLCs are generally perceived as always being given preferential treatment and support from the Government when in actual fact, GLCs compete under the same conditions as any other company in the private sector.

Tan Sri Dato' Seri Mohd Anwar bin Hj. Mohd Nor
Chairman, Lembaga Tabung Angkatan Tentera

6.2.1 Common Critique #1: "Crowding-out" of the private sector

The NEAC highlighted in the NEM that investors feel GLCs have gone beyond their nation building mandate and are competing directly with private businesses and "crowding-out" private investments. Furthermore, because of their government backing, they are perceived to be given preferential treatment in areas such as licensing and contract awards.

A. Enabling a competitive, level playing field for Corporate Malaysia, in line with the NEM

Following the push by the Malaysian government to streamline investments in accordance with the NEM, the PCG announced 5 roles for GLICs and GLCs to align with and support the NEM in 2010 (see Chapter 3 on "Catalysing Nation Building" for further details on the five roles). Roles 3, 4 and 5 were specifically to address the issue of "crowding-out" by GLICs and GLCs.

- Role 3: Pursue investments in new industries and sectors
- Role 4: Collaborate and co-invest with the private sector
- Role 5: Continue focus on core operations on a level playing and exit non-core and non-competitive assets

B. "Crowding-in" the private sector through catalytic partnerships with GLCs

Rather than "crowding-out" investment, GLICs and GLCs under the GLCT Programme are shifting roles from investor to facilitator, and aim to "crowd-in" investments by making the necessary up front capital investment and taking on the initial risk to encourage or support private sector investment in Roles 3 and 4 above.

For example, Khazanah was instrumental in developing Iskandar Malaysia, a key economic corridor. Khazanah created the base for private investment by providing input on master planning and facilitating investments in soft and hard infrastructure by federal and state goverments. In its role as strategic investor, Khazanah's investments catalysed many nascent sectors which require large capital outlays, such as the RM550 million venture into the creative and media industries via a flagship partnership with world-renowned Pinewood Studios Group to create the largest independent integrated studio facility in Southeast Asia – Pinewood Iskandar Malaysia Studios.

In addition, through direct investments by Khazanah and multi-party collaborations with the state government and the private sector, Khazanah also spearheaded some notable developments in Iskandar Malaysia including the development of Medini as a new central business district of Iskandar Malaysia, development of indoor attractions at Puteri Harbour and the development of EduCity to promote Malaysia as a centre of educational excellence. Between 2011 and 2014, Iskandar Malaysia has attracted committed investments of RM90.4 billion of which RM47.1 billion has been realised.

As the example of Iskandar Malaysia demonstrates, there are clear merits to having large GLICs and GLCs with the financial strength and sufficient scale of operations to function as anchor companies or business partners. Successful collaborations between established GLCs and private players, both domestic and international, further accelerate the "crowding-in" effect on investments.

The Malaysian economy has seen many such successes over the recent years. Examples of notable collaborations between a large GLC and a private sector player include:

1. The Shuaibah Water and Power Project between TNB, Khazanah and Malakoff – being successful shareholders of a plant that was delivered on time and on budget and already yielding dividends after only its first full year of operations.
2. Joint venture between Sime Darby and Tunas Selatan for the development of Pagoh Education Hub, Malaysia's first multi-varsity development
3. TM partnership with Green Packet and SK Telecom to become Malaysia's Convergence Champion
4. Collaboration between MRCB and Ekovest in the KL City beautification project
5. WCT Berhad collaboration with MAHB to privatise the construction, development and financing of the integrated complex at KL International Airport 2

Today's complex business environment means that companies often need to compete and cooperate at the same time. "Co-opetition" is a phenomenon that takes place between GLCs and the non-GLC private sector in Malaysia as well. For example, the collaboration between Celcom and Digi to share the cost of mobile network infrastructure, despite the fact that Axiata (Celcom's holding company) and Telenor (Digi's holding company) are competitors at the regional level.

C. Divesting non-core and non-competitive assets to encourage entrepreneurship

Supporting Role 5, GLCs have been paring down and divesting non-core and non-competitive assets and focusing instead on core business and operations. Selected examples of divestments by G20 include:

1. Sime Darby divestments valued at more than RM3.2 billion, including the likes of Teluk Ramunia Fabrication Yard's sale to Petronas, sale of Pasir Gudang Yard to Malaysia Marine and Heavy Engineering Sdn. Bhd., sale of the entire equity interest in Guthrie Corridor Expressway Sdn. Bhd. to Projek Lintasan Kota Holdings Sdn. Bhd.
2. UEM's divestment of Pharmaniaga and Touch n' Go
3. Boustead's disposal of oil bulking business, Riche Monde and BH Insurance

As government investment managers that allocate funds to GLCs, GLICs have been paring down or selling off their equity holdings in GLCs as well. Some notable examples include:

1. PNB's role of Titan Chemicals to South Korea's Honam Petrochemicals & divestment of Heitech Padu
2. Khazanah's sale of Proton and POS Malaysia to DRB-Hicom
3. The earlier strategic divestment of TIMEdotCom that was done in a bidding environment has thus far successfully catalysed a more entrepreneurial performance. In the first full year of new owner-management, TIMEdotCom delivered maiden profits after five consecutive years of losses.

CIMB Research observed:

"The Government appears to have a well-thought-out plan for the divestment of its holdings in listed companies. We view the divestment programme as timely, as it will help improve liquidity and free float in the market at a time when the FBM KLCI is scaling new all-time highs on a daily basis."

CIMB Research,
As reported in The Star Newspaper, "Divesting interest in GLCs", 9 July 2011

GLCs should continue to operate in the economy, but they should also be prepared to divest some of their subsidiariesas they grow more successful, and give opportunities to those who genuinely deserve them. Khazanah has done this very successfully. There must be no nepotism or cronyism - which were strictly observed by Khazanah. Hence its success.

Tan Sri Dr. Mohd Irwan Serigar Abdullah
Secretary General of Treasury,
Ministry of Finance

6.2.2 Common Critique #2: Political influence affecting commercial decisions of GLCs

Given the ownership structure of GLCs, it is not surprising that there have been critiques on the operations of GLCs being influenced by politics and non-commercially driven decisions being made as a result. This influence can come about in various forms, for example appointment of ex-civil servants and politicians on boards, thus engendering non-commercial decisions and facilitating rent-seeking.

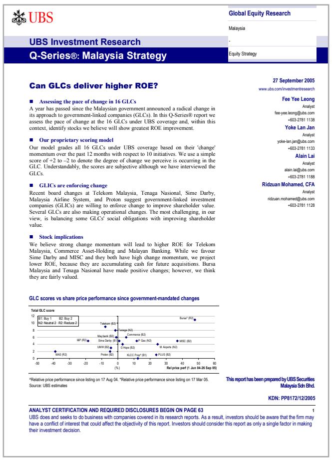
A. The governance of GLCs under the GLCT Programme has improved significantly since the announcement of the GLCT Programme in 2004

Recognising the challenge of political interference, the GLCT Programme was about moving the "Government" away from the "Companies" in "Government-Linked Companies" in line with the 3rd Underlying Principle on "Governance, Shareholder and Stakeholder Management".

One of the 10 Initiatives developed by the GLCT Programme was the **Green Book** on "Enhancing Board Effectiveness". The Green Book is consistent with and complements the Malaysian Code of Corporate Governance by emphasising the performance aspects of Boards. It provided legitimacy for GLCs to execute their activities professionally and on a commercial basis. The Book also removed some ambiguities and assumptions on sometimes sensitive issues. For example, it clarified who should sit on GLC boards, described how and why Boards should be assessed and provided a framework for GLC Boards to improve their effectiveness.

Prior to 2004, there were ex-civil servants, regulators and serving members of parliament on the boards of GLCs; this allowed direct exertion of political influence on GLCs. Adoption of the Green Book saw some positive changes to Board and Chairman compositions, reflecting the need for the right expertise and experience required to drive high performance at GLCs. In the first 2 years after the announcement of the Programme, 58 board member changes were made to the G20 (see Exhibit 6.2.1). Professional and experienced directors were appointed, while regulators were removed from Boards. Subsequently, there was constant board renewal with 195 board member changes at G20 and their listed subsidiaries.

The board changes signalled that GLICs and GLCs were serious about reforms:



UBS

Global Equity Research

Malaysia

Equity Strategy

UBS Investment Research

Q-Series®: Malaysia Strategy

Can GLCs deliver higher ROE?

27 September 2005

www.ubs.com/investmentresearch

Fee Yee Leong
Analyst
fee-yee.leong@ubs.com
+603-2781 1138

Yoke Lan Jan
Analyst
yoke-lan.jan@ubs.com
+603-2781 1133

Alain Lai
Analyst
alain.lai@ubs.com
+603-2781 1188

Ridzuan Mohamed, CFA
Analyst
ridzuan.mohamed@ubs.com
+603-2781 1128

■ **Assessing the pace of change in 16 GLCs**

A year has passed since the Malaysian government announced a radical change in its approach to government-linked companies (GLCs). In this Q-Series® report we assess the pace of change at the 16 GLCs under UBS coverage and, within this context, identify stocks we believe will show greatest ROE improvement.

■ **Our proprietary scoring model**

Our model grades all 16 GLCs under UBS coverage based on their 'change' momentum over the past 12 months with respect to 10 initiatives. We use a simple score of +2 to –2 to denote the degree of change we perceive is occurring in the GLC. Understandably, the scores are subjective although we have interviewed the GLCs.

■ **GLICs are enforcing change**

Recent board changes at Telekom Malaysia, Tenaga Nasional, Sime Darby, Malaysia Airline System, and Proton suggest government-linked investment companies (GLICs) are willing to enforce change to improve shareholder value. Several GLCs are also making operational changes. The most challenging, in our view, is balancing some GLCs' social obligations with improving shareholder value.

■ **Stock implications**

We believe strong change momentum will lead to higher ROE for Telekom Malaysia, Commerce Asset-Holding and Malayan Banking. While we favour Sime Darby and MISC and they both have high change momentum, we project lower ROE, because they are accumulating cash for future acquisitions. Bursa Malaysia and Tenaga Nasional have made positive changes; however, we think they are fairly valued.

GLC scores vs share price performance since government-mandated changes

^Relative price performance since listing on 17 Aug 04. *Relative price performance since listing on 17 Mar 05.
Source: UBS estimates

This report has been prepared by UBS Securities Malaysia Sdn Bhd.

KDN: PP8172/12/2005

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 63 1

UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

"Recent board changes at Telekom Malaysia, Tenaga Nasional, Sime Darby, Malaysia Airline System, and Proton suggest GLICs are willing to enforce change to improve shareholder value. Several GLCs are also making operational changes."

UBS Investment Research
Can GLCs deliver higher ROE?
27 September 2005

CIMB believes that a high performance board, one that is diverse, engaged, accountable and effective, can directly strengthen economic value and support long-term, sustainable success of the organisation. By adopting the Green Book since its inception, the board has seen strong evolution of governance and discipline. The Green Book's framework facilitates a periodic review of the board's effectiveness whilst encouraging healthy team dynamics to help CIMB accomplish its set goals and objectives.

Tengku Dato' Zafrul Tengku Abdul Aziz
CEO, CIMB Group Berhad

GLCs also conducted Board Effectiveness Assessments according to best practice guidelines and tools provided within the Green Book and created their respective Actionable Improvement Programmes. 83% of the G20 had completed their Board Effectiveness Assessments by 2008 and 67% had developed their Actionable Improvement Programmes. A GLC director quipped:

"Directors are now discussing the seriousness of directorship and feeling the pressure of peer group evaluation. They are no longer relaxed about compliance issues."

Director of a GLC
Strategic review of the Programme
2007/2008

As part of the GLCT Programme's initiative to strengthen directors' capabilities, the Malaysian Directors' Academy (MINDA) was established in December 2006, with the aim of enhancing board performance by equipping directors of GLCs with the knowledge, skills and mindset for world-class performance. To ensure high quality programmes were produced, MINDA partnered with leading foreign institutions and business schools such as the International Institute for Management Development (IMD), INSEAD and Harvard University.

In its Investment Policy Review of Malaysia in 2013, the OECD noted:

"GLCs are subject to high standards of governance, notably since the (Asian financial) crisis. In that respect the GLC Transformation Programme launched in 2005 is showing results in terms of raising the governance standards in GLCs."

OECD
Investment Policy Review of Malaysia
2013

In fact, many of the companies that ranked highly in terms of good governance practices are GLCs. In a survey conducted by the Minority Shareholders Watchdog Group for the Corporate Governance Index in 2009, 17 of the 33 listed GLCs were ranked in the top 100 of the Index (which covered 899 companies). In the same survey conducted in 2011, 19 of the 35 listed GLCs were ranked in the top 100, covering 820 companies listed on the Exchange.

The drive to enhance overall board effectiveness has shown positive impact. Many in the consulting and stock-broking community have taken notice of the fact that most GLCs are now on track to meet their goals of putting a robust, high-performing Board in place. Below are some comments from interviews conducted as part of the third strategic review of the Programme (or stock-take) conducted interviews in 2014/2015:

"Generally, GLC Boards are aware of and acknowledge their roles and responsibilities... Some of these areas are delegated to specific Board Committees to ensure more specific oversight and in-depth discussions prior to full Board review."

Consultants
Strategic review of the Programme
2014/2015

GLCs have improved significantly in terms of corporate governance compared to a decade ago and they continue to improve even now. Presently, GLCs are some of the most corporate governance-conscious companies in the country.

Dato' Seri Johan Raslan,
Former Chairman, PricewaterhouseCoopers

EXHIBIT 6.2.1: BOARD CHANGES BETWEEN 2004 TO 2006
(TITLES OF BOARD MEMBERS ARE REFLECTIVE OF WHEN THEY JOINED THE BOARD)

Company	New Board Member[1]	Date of Entry
AFFIN HOLDINGS	Gen (R) Tan Sri Dato' Seri Mohd Zahidi Haji Zainuddin (Chairman)	Oct 2005
BIMB HOLDINGS BERHAD	En. Salih Amran Jamiaan	Feb 2005
	Dato' Hairuddin Mohamed	Oct 2006
	En. Ismee Ismail	Oct 2006
BUMIPUTRA COMMERCE	Tan Sri Dato' Md. Nor Md. Yusof (Chairman)	July 2006
	Dato' Mohd Shukri Hussin	Jan 2006
	Dato' Hamzah Bakar	Nov 2006
	Tan Sri Dato' Seri Haidar Mohamed Nor	Nov 2006
	Dato' Zainal Abidin Putih	Nov 2006
	Datuk Dr Syed Muhamad Syed Abdul Kadir	Nov 2006
	Mr. Cezar Peralta Consing	Nov 2006
	Dato' Robert Cheim Dau Meng	Nov 2006
ccm	Tan Sri Abdul Rahman Omar	May 2004
	Dato' Kalsom binti Abdul Rahman	May 2004
	Pn. Jamiah binti Abdul Hamid	Apr 2006
	En. Abdul Rahim bin Abdul Hamid	Apr 2006
	Tan Sri Dato Dr Wan Mohd Zahid Mohd Noordin (Chairman)	2006
Maybank	Tan Sri Megat Zaharuddin	July 2004
	Datuk Zainun Aishah binti Ahmad	July 2004
	Datuk Agil Natt	Sep 2004
MALAYSIA AIRPORTS	En. Izlan Izhab	June 2005
	Dato' Ahmaad Fuaad Mohd Dahalan	Aug 2005
malaysia airlines	Dato' Dr. Mohd Munir Abdul Majid (Chairman, Aug 2004)	June 2004
	Tan Sri Izzuddin Dali	Sep 2004
	Tengku Dato' Azmil Zahruddin Raja Abdul Aziz	Aug 2004
	Dato' Mohd Annuar Zaini	Feb 2005
	Dato' Zaharaah Shaari	July 2005
	Datuk Haji Yusoff Datuk Haji Mohamed Kasim	Jan 2006
	Tuan Haji Abdul Rahman Abdul Ghani (Alternate Director)	Jan 2006
	Datuk Haji Mohamad Morshidi Abdul Ghani (Alternate Director)	Aug 2006
MBSB	En. Khalid Haji Sufat	Aug 2005
	En. Aw Hong Boo	Nov 2005
MRCB	Datuk Azlan Zainol (Chairman)	Jan 2005
	En. Ahmad Zaki Zahid	Jan 2005
	En. Mohamad Lotfy Mohamad Noh	July 2005
POS MALAYSIA	Dato' Zukri Samat	Mar 2006
	Puan Sri Nazariah Mohd Khalid	April 2006
	Dato' Ng Kam Cheung	April 2006
	Puan Salmah Sharif	Aug 2006
	En. Faisal Ismail	Sep 2006
PROTON	Dato Mohd Azlan Hashim (Chairman)	Dec 2004
	En. Mohd Zainal Shaari	Dec 2004
	En. Abdul Kadir Md Kassim	Mar 2005
	Dato' Ahmad Haji Hashim	Oct 2005
	Dato' Lim Hih Peok	
	En. Mohd Izzaddin Idris	
Sime Darby	Dato' Mohamed Sulaiman	Oct 2005
	Datuk Seri Panglima Andrew Sheng Len Tao	Mar 2006
TM	Dato' Azman Mokhtar	June 2004
	Datuk Nur Jazlan	June 2004
	Dato' Ahmad Haji Hashim	Oct 2005
	Leonard Wilfred Yussin (Alternate Director)	Sept 2006
TENAGA NASIONAL	Datuk Amar Leo Moggie (Chairman)	Apr 2005
	Dato' Azman Mokhtar	June 2004
	Datuk Zaid Ibrahim	June 2004
	Datuk Zalekha binte Hasan	Nov 2004
	Dato' Puteh Rukiah Binti Abdul Majid	Sep 2006
	En. Mohd Zainal Shaari (Alternate Director)	Dec 2004
UEM	Dato' Azman Mokhtar	June 2004
UMW	Dato' Haji Darwis Mohd. Daik	Feb 2004

Source: G20 Annual Reports, G20 company websites, G20 submission to PCG Secretariat, PCG Secretariat analysis

[1] Excludes new board members

B. The Programme provided stewardship and "air-cover" to ensure GLCs under the Programme were commercially driven

As one of the 10 Initiatives developed by the GLCT Programme, the **Red Book** on "Procurement Guidelines and Best Practices" introduced guidelines to enhance transparency, reduce corruption and improve organisation capabilities and governance.

Some CEOs were able to use the Book as "air-cover" with which to make commercial decisions. Some CEOs said:

"The Red Book is a brilliant tool. I keep it handy in my top drawer. Whenever vendors or influential people come and visit me, I will take the Red Book out and tell them that these days the Government is coming down hard on rent seeking."

CEO of a GLC
Strategic review of the Programme
2007/2008

"We had 5 different templates/replies for such requests coming our way. I have told aides of Ministers that I am very sorry I cannot do it. If I do it, others will want their way too. Everybody is watching me, including my staff."

Ex-CEO of a GLC
Strategic review of the Programme
2014/2015

The Red Book also played a role in the amendment of a national procurement policy imposed on GLCs which previously required the Ministry of Finance's approval for contracts of RM100 million and above. This amendment was important in that it not only reduced bureaucratic inefficiencies; it also took government out of the decision-making process and reduced the number of avenues for rent-seeking.

The Red Book elevated the importance and value attached to good procurement processes. It provided guidance to GLCs in areas such as minimising total cost of ownership; ensuring efficient procurement cycle times; enhancing transparency and eradicating corruption; enhancing organisation capabilities and governance; and developing a stable and competitive supplier base.

"Red Book initiative resulted in higher awareness amongst GLCs on the need to embrace leading procurement practices and efficiency."

Consultant
Strategic review of the Programme
2014/2015

The MBSB builidng located on Jalan Dungun, Damansara

[6] A social contribution is defined in the Silver Book as a contribution which primarily benefits society that is undertaken in response to, or to fulfil, the demands of stakeholders but it is not required by law or by specific industry requirements.

GLCs also face expectations to contribute towards or support the national agenda, with political and government pressure to invest in social obligations[6] thus often imposed on GLCs. Such obligations are not equally shared by, or required of every player in the industry. Typically these social obligations are in the form of services to communities in remote or impoverished areas. The services include access to electricity, telecommunication services and transport in remote areas, for example the interior of Sabah and Sarawak, which are greatly dependent on air passage, postal and banking services. The Programme sought to clarify this role with the Silver Book on "Achieving Value Through Social Responsibility".

The Silver Book places strong emphasis on the fact that GLCs are first and foremost organisations with commercial objectives, and therefore should not be asked to undertake developmental or social obligations beyond what is expected of other private companies. The Silver Book therefore provided "air-cover" for CEOs of GLCs to either push back on government requests or to justify the need for public funding (for example where operations are provided as a public service obligation) and thus share the funding obligations with the Government. The CEO if a GLC shared:

"The Silver Book can be capitalised for those who know how to make use of it. I've brought it to the Government to say that some of my operations which are more public service in nature rather than commercial need to be funded by them."

CEO of a GLC
Strategic review of the Programme
2007/2008

The provision of rural air services to Sabah and Sarawak is a good example of how a GLC secured government subsidies to ensure the sustainability of the public service. Almost a year after the domestic route rationalisation exercise in 2006, MAS was requested by the Government to take back the domestic operations in East Malaysia. In October 2007, MASWings was formed as a wholly-owned subsidiary of MAS, with the Government agreeing to share the costs of operations.

C. GLCs continue to push for the set-up of a good regulatory environment

Having unclear regulations and overlapping jurisdictions opens up opportunities for individuals to exploit regulatory loopholes or political capture for personal gain. The regulation of many economic sectors in Malaysia is continuously evolving. A good regulatory environment ensures fair competition in a sector and safeguards the interests of all stakeholders. This includes GLCs as well, as depending on where political ties lie or when there is political pressure to acquiesce to public interests, sometimes GLCs themselves are crowded out.

As such, GLICs and GLCs under the GLCT Programme pushed for regulatory reform and the White Book on "Creating Value through Regulatory Management" supported this push.

For example, the aviation industry was overseen by a multiplicity of players in the past. Khazanah proposed the establishment of the Malaysian Aviation Commission, an independent and professional commission established in July 2015, to ensure a more structured aviation industry. Similarly, Khazanah initiated the establishment of the Iskandar Regional Development Authority (IRDA) in 2007 as a single point of contact to regulate, promote and facilitate the development of Iskandar Malaysia.

In the case of TNB, until policies were changed recently, TNB had to bear fuel cost fluctuations passed on from independent power producers (IPPs) under one-sided agreements. After intense lobbying engagement for years, the Government introduced the fuel cost pass-through mechanism under the Incentive Based Regulations programme where TNB can pass on fuel cost increases to consumers. The greater transparency in the tariff components also creates the incentive for TNB to drive greater efficiencies where earnings are clearly linked to plant efficiency.

[7] PGunasegaram (The Edge), "The Politics of Transformation", 17 December 2007

During the development of the White Book, it was discovered that there was a missing intersection in Malaysia for work in the areas of law and economics, despite the growing importance of such intersection in the daily operations of GLCs – for example, in regulated infrastructure companies such as Telekom Malaysia, Tenaga Nasional and Malaysia Airlines. Thus as an offshoot of the initiative, the University Malaya - Malaysian Centre of Regulatory Studies (UMCoRS) was established and launched on 21 April 2008 to further strengthen regulatory management in the country and be the focal point for multi-disciplinary research and study in the intersections between law, business and economics.

There is no reason why GLCs can't be on their own like other private sector companies. However, the relationship between GLCs and Government must be maintained (for example, via the Economic Planning Unit), especially since there is a reason why GLCs were formed to begin with. There remains a problem with the link to Government since the public perceives GLCs as having an advantage in getting contracts from the Government but this is not true. In fact, in our case, we had to take over a failed private sector venture to turn it around. I do believe that the GLCT Programme has done a lot of good for GLCs especially since none of the G20 got into deep trouble during the 2007/2008 Global Financial Crisis. This speaks volumes to the impact of the Programme.

Tan Sri Dato' Seri Hj. Lodin Wok Kamaruddin
CEO, Lembaga Tabung Angkatan Tentera

6.2.3 Common Critique #3: Underperformance by GLCs

GLCs are generally viewed as poorly performing companies. In fact, this critique held true for many GLCs under the GLCT Programme a decade ago, due to a host of factors including a lack of focus on value creation and clarity on social objectives as well as a lack of strong culture of performance management and financial discipline.

When the GLCT Programme was announced in 2004, several of the underperforming GLCs such as MAS, UEM World (previously Renong), Celcom (now Axiata), Bank Bumiputra (now part of CIMB), Proton and MRCB had recently been recapitalised and restructured by the government following the Asian Financial Crisis, but were nonetheless still struggling to sustain profitability. There were also the legacy ex-Government agencies, such as TNB, TM, MAHB and POS Malaysia, which lacked financial and commercial discipline due to the under emphasis on profitability.

A. The GLCT Programme has instilled a culture of high performance and emphasised leadership and human capital development

The GLCT Programme has contributed significantly towards instilling a culture of performance at GLCs; which is in keeping with the 1st Underlying Principle of the Programme, that of performance focus. When the GLCT Programme was announced on 14 May 2004, the then Prime Minister, Tun Abdullah Ahmad Badawi, emphasised the need to institute a high-performance culture at GLCs.

Many initiatives launched under the auspices of the Programme have maintained a consistent focus on high-performance, including the launch of the Blue Book on "Intensifying Performance Management Practices", which introduced performance contracts for senior management and Headline KPIs, and the hiring of top talent into GLICs and GLCs. These were absent in many GLCs prior to the Programme.

[8] PCG Secretariat, GLCT Manual, 2005

One of the first measures introduced included putting GLC senior management on performance contracts. The basic premise was that senior management would be employed on a contract basis for a fixed term, with pay and renewal dependent on achieving their targets. Performance focus at the top influences the way the organisation is managed, which in turn helps drive performance in the rest of the organisation.

The Blue Book also had a significant impact in institutionalising KPIs and target setting among GLCs. Prior to that, KPIs were unknown to many of these companies. The performance culture that was encouraged through KPIs and target setting was further reinforced when PCG asked G20 to begin publicly announcing their "Headline KPIs and Targets" (i.e. their key financial and operational performance indicators) in March 2006. The announcements of Headline KPIs and Targets continued each year through the annual scrutiny of GLCT Progress Reviews, and created a measure of public accountability which added to the pressure on G20 to perform as promised.

The Programme has also focused on human capital as a key lever for sustained growth and high performance in GLCs, as in some instances, poor performance by GLCs is partly due to the lack of good talent. In fact, the capabilities to translate the GLCT Programme Initiatives into GLC-specific plans, and subsequently execute the plans, was limited prior to 2004. In response, a significant number of GLC CEO changes were made in the first two years of the Programme (see Exhibit 6.2.2), which brought changes to senior management teams as well. Some notable CEO appointments include Dato' Sri Abdul Wahid Omar to TM, Dato' Sri Che Khalib Mohamad Noh to TNB and Dato' Sri Idris Jala to MAS. GLCs today are forthright in sourcing top talent to lead the organisation – even if it means hiring foreign talent. The appointment of German national, Christoph Mueller, who led the turnaround of Aer Lingus (Ireland's national carrier), as the new CEO of MAS Bhd. is a clear example of this.

EXHIBIT 6.2.2: CEO CHANGES BETWEEN 2004 AND 2006
(TITLES OF BOARD MEMBERS ARE REFLECTIVE OF WHEN THEY JOINED THE BOARD)

Company	New CEO	Date of Entry
Golden Hope	Dato' Sabri Ahmad	Jan 2004
ccm	Dr. Mohamad Hashim bin Ahmad Tajudin	May 2004
	Dato' Abdul Wahab Maskan	June 2004
Sime Darby	Dato' Ahmad Zubir bin Haji Murshid	June 2004
TM	Dato' Abdul Wahid Omar	July 2004
TENAGA NASIONAL	Dato' Sri Che Khalib Bin Mohd Noh	July 2004
UEM	Dato' Ahmad Pardas Senin	July 2004
BIMB HOLDINGS BERHAD	Dato' Noorazman A. Aziz	April 2005
malaysia airlines	Idris Jala	Dec 2005
PROTON	Datuk Syed Zainal Abidin bin Syed Mohamed Tahir	Jan 2006
CIMB	Dato' Nazir Razak	Nov 2006

Source: G20 Annual Reports, G20 company websites, G20 submission to PCG Secretariat, PCG Secretariat analysis

The GLCT Programme has also reiterated the importance of developing the leadership team and pipeline, as part of effective succession planning, in a bid to ensure sustainable performance by GLCs. Through the launch of the Orange Book on "Strengthening Leadership Development", GLCs were further urged to strengthen their respective leadership development and succession planning practices.

B. The Programme yielded clear results for GLCs

The financial performance of GLCs under the GLCT Programme serves to demonstrate that the reforms instituted by the Programme has been a success. G20 market capitalisation grew 2.9 times (representing an increase of RM252.2 billion) from RM133.8 billion on 14 May 2004 to RM386.0 billion on 28 July 2015. Over the same period, G20 TSR grew 11.1% p.a. G20 net profit reached RM26.2 billion in FY2014, close to the all-time high of RM26.3 billion in FY2013 and has grown at a compounded annual growth rate ("CAGR") of 10.2% from FY2004 to FY2014. The quality of growth has also improved, with G20 return on equity registering 11.2% in 2014 up from 10.4% and 7.0% in 2004 and 2005 respectively. Meanwhile, EP increased by RM4.2 billion from FY2004 to FY2014. G20 has a stronger balance sheet with non-bank gearing falling to 45.8% in FY2014 from 51.4% in FY2004. Refer to Chapter 2 on 'Financial Performance Review' for further details on the improvements in financial performance achieved over the last ten years.

The Blue Book made the biggest impact when it was conceptualised and shared in 2004. For the first time, goal setting and targets were introduced - KPIs were disseminated within the GLCs and further institutionalised under the stewardship of PCG, who provided legitimacy and applied pressure on the CEOs. GLCs have come a long way since then, in terms of better financials, quality of services and products. There is now a strong culture of high performance and performance focus among GLCs.

Tan Sri Dato' Seri Mohd Zahidi Hj. Zainuddin
Chairman, Affin Holdings Berhad

Tun Abdullah Ahmad Badawi and Tan Sri Nor Mohamed Yakcop at the launch of the 10 Initiative Books in 2006

It is worth noting that GLCs' performance turnaround was accomplished in part through successful restructurings and transformation transactions (e.g. BIMB turnaround, Sime merger, TM demerger, UEM delayering; see Chapter 3.1 on "Five roles of GLICs and GLCs in the NEM" for further details on these transformation efforts) which resulted in streamlined, more focused operations, which in turn improved performance.

A broker survey conducted by the PCG Secretariat in 2014 of 14 local and foreign brokers showed that most brokers agreed that the GLCT Programme has been effective in enhancing performance of the G20 with an average score of 7.2 (with a score of 1 indicating "strongly disagree" and a score of 10, "strongly agree").

Ten years on, GLCs as a group, have achieved significant growth and results, and continue to outperform the broader market for all major indicators. Some G20 companies have successfully made a mark regionally and globally such as Axiata, CIMB, MAHB, Maybank and Sime Darby (see Chapter 3.1 on "Five roles of the NEM" for further details on G20 efforts to become regional champions).

6.2.4 The Programme created much needed change for GLCs

Over the last decade, it is apparent that most GLCs under the GLCT Programme have transformed from previously poor to mediocre performers to emerge as strong players. Since the announcement of the GLCT Programme, GLCs have delivered a wide range of achievements, contributed towards nation building, and provided benefits to all stakeholders.

Recent ranking upgrades in a variety of important surveys, including that of the World Bank, the IMD World Competitiveness Report and the Corruption Perception Index, are positive independent endorsements of the progress that Malaysia has made and the Programme has contributed in part to this progress.

Recognition has also been received by local and foreign media throughout the GLCT Programme. For example, the LEX column of the Financial Times in 2008, noted:

"Now these companies look radically different. Capital structures are more efficient; meritocracy has replaced cronyism and there is greater cost discipline."

Financial Times
Malaysian Reforms
8/9 March 2008

The GLCT Programme achievements were reaffirmed by CIMB Research in its recent 40-page assessment of the Programme:


June 15, 2015

CIMB

MALAYSIA

STRATEGY

Notes from the Field

Terence WONG, CFA
T (60) 3 2261 9088
E terence.wong@cimb.com

GLC revamp near the finish line

The GLC transformation programme that started in 2004 is nearing the finish line in 2015. We consider the decade-long exercise to be very successful, without which the Malaysian stockmarket and corporate earnings would have been far more subdued.

"GLCs under the GLC Transformation Programme have been key contributors to the nation's economic growth and development over the past 10 years.
Dato' Sri Najib Razak, Prime Minister of Malaysia

Figure 1: GLC performance relative to KLCI

	Mkt cap (RM m) 14-May-04	Mkt cap (RM m) 7-Apr-15	% Chg	Price (RM) 14-May-04	Price (RM) 7-Apr-15	% Chg
TENAGA NASIONAL	27,705.04	82,170.98	197%	5.63	14.56	159%
MALAYAN BANKING	34,921.44	88,996.74	155%	6.97	9.55	37%
TELEKOM MALAYSIA	8,469.53	28,267.44	234%	2.50	7.60	204%
AXIATA GROUP BER	29,485.74	60,674.86	106%	5.35	7.07	32%
SIME DARBY	60,557.20	56,335.49	-7%	11.00	9.29	-16%
CIMB GROUP HOLDI	12,543.51	53,069.60	323%	2.33	6.30	170%
RHB CAPITAL BHD	3,355.19	21,274.22	534%	1.84	8.27	349%
UMW HLDG BHD	2,819.68	13,014.80	362%	2.83	11.14	294%
MALAYSIA AIRPORT	1,583.69	10,124.38	539%	1.36	6.97	412%
BIMB HLDGS BHD	855.21	5,974.02	599%	1.54	4.00	160%
AFFIN HLDGS	1,377.42	5,634.55	309%	1.26	2.90	131%
CHEMICAL CO MALA	788.65	509.19	-35%	2.12	1.12	-47%
MALAYSIA BUILDNG	229.57	6,069.56	2544%	0.44	2.24	407%
BOUSTEAD HLDGS	1,008.24	4,633.22	360%	1.45	4.48	210%
TH PLANTATIONS	569.46	1,369.97	141%	1.21	1.55	28%
MRCB	572.45	2,200.22	284%	0.69	1.25	81%
Average			415%			163%
FBMKLCI				793.97	1,856.51	134%

SOURCES: CIMB, BLOOMBERG

We retain our end-2015 KLCI target of 1,800pts, which is still based on the 3-year moving average P/E (15.5x now versus 15x previously) as short-term macro headwinds should give way to medium-term catalysts later in the year. Our preferred sector picks remain construction, utilities and smaller caps.

GLC revamp progress

The first phase of the GLC revamp spanning 2004-05 involved the revamp of Khazanah and setting of key performance indicators (KPI) for GLCs. Phase 2 in 2006 was the launch of the 10 transformation manuals and the setting of policy guidelines. In Phase 3 (2007-2010), tangible and sustained results were expected. In the final phase (2011-2015), the full benefits were expected to accrue and several regional champions were expected to emerge. In general, while there were hiccups along the way and some GLCs' performances were not up to par, we consider the GLC revamp a major success and one deserving of applause.

Macro concerns to wane

Short-term macro worries in the coming months could provide investors with good entry points into the market as stability should eventually return. Oil prices have already stabilised somewhat and consumers are gradually getting used to GST. Umno party elections next year could be a catalyst to stocks.

Sector and stock picks

We continue to view larger caps as an asset class for safety and smaller caps as the means to drive outperformance. Our new top 3 bigger cap picks are Gamuda, RHB Cap and Petronas Gas while the new top smaller-cap picks are Only World Group, Kawan Food and Salcon.

Designed by Eight, Powered by EFA

"The GLC transformation programme that started in 2004 is nearing the finish line in 2015. We consider the decade-long exercise to be very successful, without which the Malaysian stock market and corporate earnings would have been far more subdued."

CIMB Research
GLC revamp near the finishing line
15 June 2015

Additionally, many articles about the Programme will written between 2005 and 2014 (see Exhibit 6.2.3 for examples of press coverage on the GLCT Programme).

The achievements of the GLCs within the GLCT Programme have given a good example of reform and high performance to other GLCs, the Government and the civil service. This is seen with the launch of similar efforts such as the GTP, ETP and other transformation programmes while admittedly, some GLCs under the GLCT Programme are still facing some challenges.

There continue to be critiques of GLCs but the GLCT Programme has instituted much needed reform at least among GLCs under the 5 GLICS and they have become "a part of the solution" rather than "a part of the problem". Nevertheless, other challenges remain and more needs to be done and this is covered further in Chapter 7 on "Way Forward".

EXHIBIT 6.2.3: EXAMPLES OF PRESS COVERAGE ON THE GLCT PROGRAMME

FT FINANCIAL TIMES

Saturday March 8/Sunday March 9 2008

THE LEX COLUMN

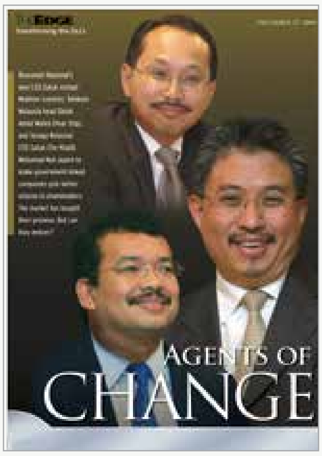
Malaysian reforms

Malaysian prime minister Abdullah Badawi goes to the polls today with a chequered report card. One area in which he is seen as having roundly delivered on his reform promises, however, is the stock market.

Mr Abdullah inherited a market unloved by investors. Capital controls discouraged foreigners, who, in any case, were hardly salivating to buy government-linked companies beset by inefficiencies and corruption. Now these companies look radically different. Capital structures are more efficient; meritocracy has replaced cronyism and there is greater cost discipline. Part of this is down to Khazanah Nasional, the state investment agency, which was revamped in 2004. It has driven change at, for example, Telekom Malaysia, which it encouraged to hive off its fast-growing cellular assets into a separate entity. Malaysian Airline System, the national carrier, slashed staff and unprofitable routes. The fruits of these and other reforms can be seen in investors' pockets. The stock market is up 60 per cent in dollar terms over the past two years, comfortably outperforming the MSCI Asia ex-Japan index. The dividend yield has improved from 1.9 per cent in 2003 to 3.9 per cent last year, according to Credit Suisse, while foreign ownership has almost doubled to 25 per cent over the same period.

Of course, there are still gripes. Malaysia owes part of its strong performance to palm oil, which is on a roll and makes up perhaps one-fifth of the local index's $300bn market capitalisation. Some companies may now be more meritocratic but racial divisions – such as the affirmative bumiputra policy, which gives preferential treatment to the ethnic Malay majority – persist. Not all the government-linked companies have been granted complete control of their destinies. Tenaga, the power utility, received its first tariff hike in nine years under Mr Abdullah, but not a set mechanism for adjusting charges. And while short-selling was introduced two years ago, restrictions mean that activity is still thin. Then again, Malaysia is no longer a market whose features appeal solely to the short sellers.

Financial Times, 'Malaysian Reforms', 8/9 March 2008



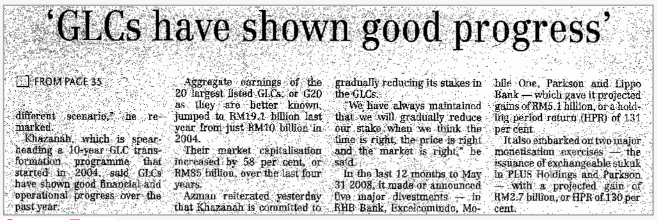
The Edge, 'Agents of Change', 27 December 2004

EUROMONEY

Asia

New management makes over Malaysia Inc

Euromoney, 'New Management makes over Malaysia Inc', September 2005



'GLCs have shown good progress'

FROM PAGE 35

different scenario," he remarked.

Khazanah, which is spearheading a 10-year GLC transformation programme that started in 2004, said GLCs have shown good financial and operational progress over the past year.

Aggregate earnings of the 20 largest listed GLCs, or G20 as they are better known, jumped to RM19.1 billion last year from just RM10 billion in 2004.

Their market capitalisation increased by 58 per cent, or RM85 billion, over the last four years.

Azman reiterated yesterday that Khazanah is committed to gradually reducing its stakes in the GLCs.

"We have always maintained that we will gradually reduce our stake when we think the time is right, the price is right and the market is right," he said.

In the last 12 months to May 31 2008, it made or announced five major divestments — in RHB Bank, Excelcomindo, Mobile One, Parkson and Lippo Bank — which gave it projected gains of RM5.1 billion, or a holding period return (HPR) of 131 per cent.

It also embarked on two major monetisation exercises — the issuance of exchangeable sukuk in PLUS Holdings and Parkson — with a projected gain of RM2.7 billion, or HPR of 130 per cent.

NEW STRAITS TIMES News Straits Times, 'GLCs have shown good progress', 14 June 2008

86 • THE EDGE MALAYSIA | DECEMBER 17, 2007

COVER STORY

Well on TRACK

Khazanah Nasional Bhd managing director Datuk Azman Mokhtar looks pleased at the state of government-linked companies. Ever since he took charge of the transformation process, there has been marked improvement in the performance of the GLCs. The reform programme is on track and is going strong, he tells Leela Barrock and P Gunasegaram.

The Edge, 'Well on Track', 17 December 2007

The Edge, 'GLC Reformer - How much has the government-linked companies transformation programme achieved and how much further will it go?', 17 December 2007

B2 BISNES

BH

GLC penyumbang utama pertumbuhan ekonomi

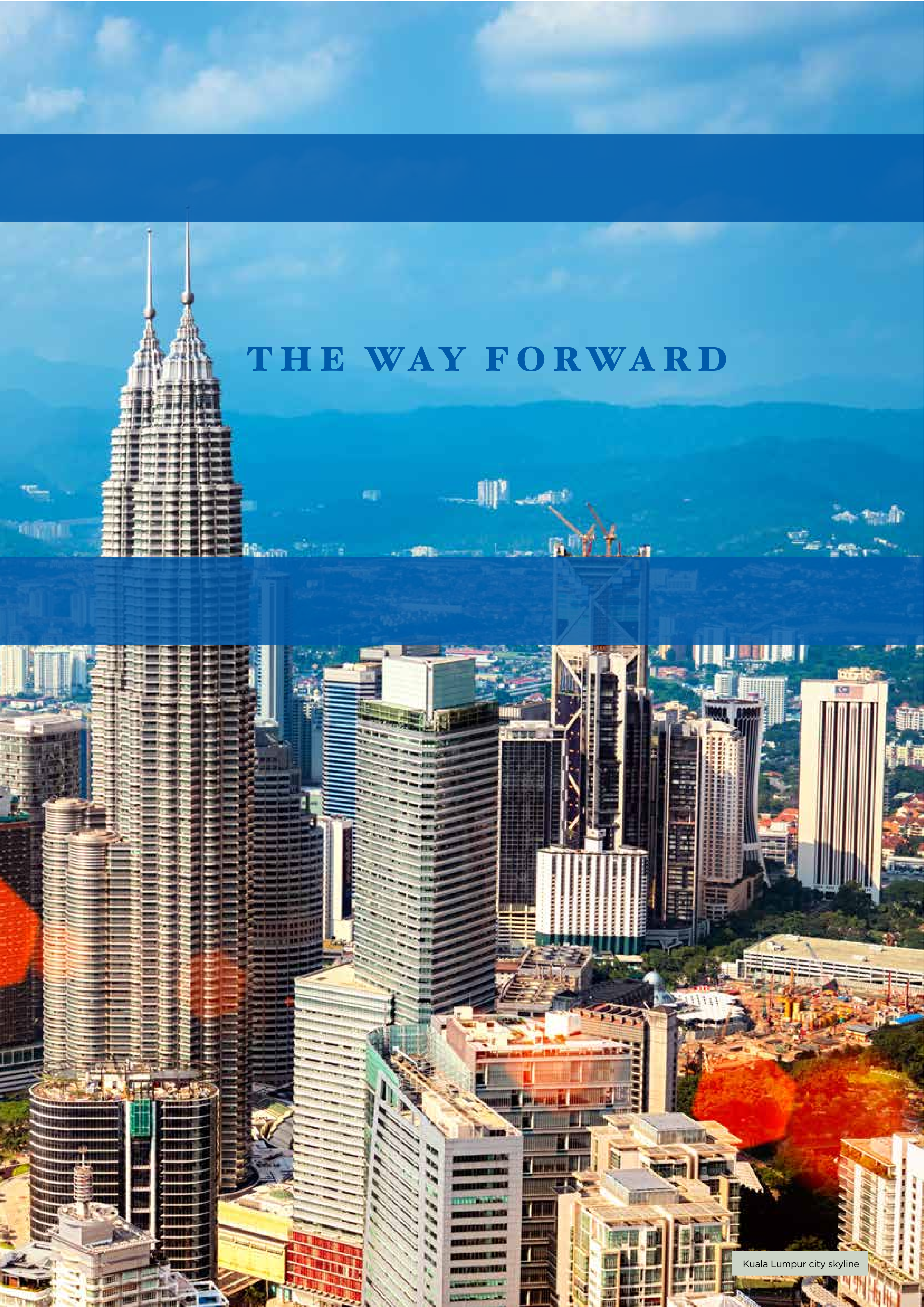
• Permodalan pasaran G20 naik RM431 bilion

RM154 bilion

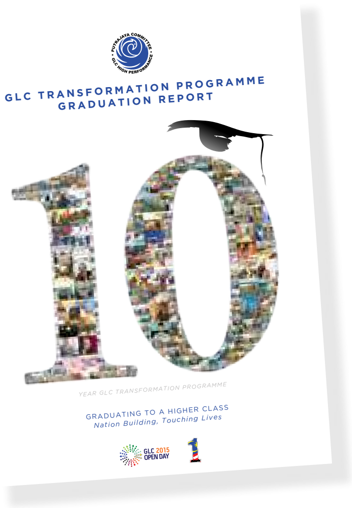
Berita Harian, 'GLC penyumbang utama pertumbuhan ekonomi', 24 April 2015


7

THE WAY FORWARD



Kuala Lumpur city skyline



Over the 10-year GLCT Programme, GLCs have transformed into stronger, more resilient and higher performing entities, contributed significantly to nation building and provided benefits to all stakeholders, including all Malaysians. GLCs have also internationalised with several making a mark regionally and globally. By and large, the GLCT programme has accomplished what it set out to do.

The journey for GLCs however is far from over with a tougher external environment to operate in and new and existing challenges to overcome. Much more would be expected from GLCs in the runway to 2020 and beyond.

Therefore, the 3 Underlying Principles of the Programme (or Underlying Principles) which have driven and guided the GLCs well over the past 10 years ought to continue. Thus, the term “graduation” (as opposed to “end”) is used to signify that GLCs will continue to deliver the 3 Underlying Principles of the Programme, long after Programme graduation. The three Underlying Principles are:

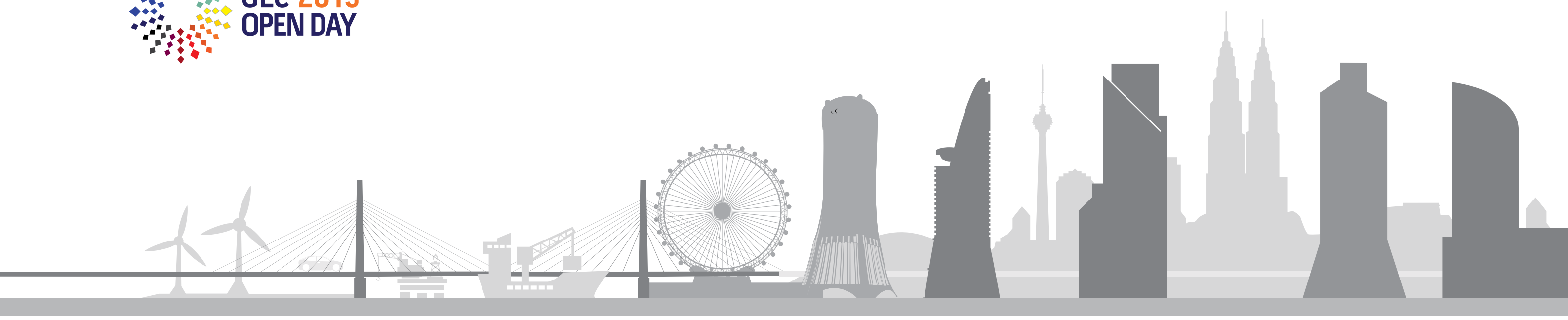
1. **Performance focus**
2. **Nation-building**
3. **Good governance and serving all stakeholders’ interests**

Moving forward, and in relation and intensification of the above, GLCs should, as part of performance focus strive to become not only regional champions but world class companies and global champions to help Malaysia accomplish its 2020 ambition; continue to support nation-building and actively shape it; and elevate from being well governed companies to become strong, responsible and great institutions to serve as forces of good for the country.

GRADUATING TO A HIGHER CLASS

Nation Building, Touching Lives

GLC 2015 OPEN DAY



7 The Way Forward

7.1 Tougher External Environment and New Challenges

A. GLCs are operating in a tougher external environment

GLCs are in a more challenging external environment today than they were at the beginning of the Programme a decade ago. Companies are being forced to rethink how they operate, in a more volatile global economy, an ever rising performance bar, the onset of disruptive innovation and new business models, as well as the need for businesses to not only make profits but be socially and environmentally responsible organisations. In Malaysia, increasing expectations to assist in nation building and meet various stakeholders' needs also add to the many complexities GLCs have to grapple with. GLCs will no longer be able to operate in the same manner as they have before.

The global economy is increasingly volatile and still undergoing post-crisis adjustments

Seven years after the GFC, many of the world's economies have not fully recovered, are experiencing lower growth and have to contend with heightened volatility in the financial markets and implications of global economic issues (e.g. the Greek debt crisis). The decline in most major commodity prices has also brought on a negative impact for many resources exporting countries. In Malaysia, the weakening of the ringgit is affecting the price of imported goods, further reducing domestic market demand. Broadly, the global economic environment is looking precarious and the risks to performance of GLCs are increasing.

The performance bar has risen

While GLCs have progressed, so too has the rest of the world. Globally, competition has intensified and performance levels have gone up. Leading companies have become leaner and more cost effective and are able to deliver higher value and greater customer satisfaction. Companies striving to be globally competitive will now have to go up against the likes of Volkswagen Group, Apple, AT&T, General Electric, and Citigroup, which belong to a globally competitive group of world class companies. High-performance today is very different from what it was 10 years ago.

New disruptive innovation changing old ways of doing business

New disruptive innovations are increasingly changing the way companies work and the environment they operate in. Some examples of innovation and trends that are reshaping and altering the course of businesses today include:

1. The 'Sharing' economy – built upon the sharing of human and physical resources, and covers the shared creation, production, distribution, trade and consumption of goods and services. Platforms such as Uber and AirBnB, are amongst many business models that are changing the fundamentals of asset ownership for businesses and consumers alike.
2. The 'On-Demand' economy - an example of such application of business model is in the area of online food ordering and delivery services. Such innovations are changing the way companies look at go-to market strategies, that are now largely based on providing speed and convenience to customers.

3. Technological advancement in communication – proliferation of social network platforms such as WhatsApp, Facebook and Web-based review sites has enabled consumers to access and share information at an unprecedented rate. This has given rise to the power of the consumer, allowing consumers with more control and knowledge over the transactions they make.
4. The Internet of Things – network of physical objects embedded with communication technologies to allow greater exchange of data, granting end users with greater control and automation over many processes.
5. The use of Big Data - the new found capability to process and analyse large and complex data sets to help business make better informed decisions is now making waves globally. The race is on for companies to adopt the tools and knowledge to leverage on such predictive analytics capability to better understand the consumers they serve.

There are many other examples of disruptive innovation such as off-grid power generation and crowd funding/ sourcing of ideas that will threaten the more traditional ways of doing business, which will impact the industries in which the GLCs operate.

Shift towards greener and more sustainable business practices

Degradation of the world's environment and depletion of natural resources have placed pressure on firms to change the way they operate. Significant emphasis is now placed on ensuring companies embrace the triple bottom line of profits (financial performance), people (human obligations and opportunities) and planet (social and environmental risks).

Greater demand to assist with nation building and stakeholders needs

As Malaysia progresses towards 2020, there will be greater emphasis on GLCs to support nation building, catalysing more new areas of growth and leading Corporate Malaysia in helping the "people economy".

2015 and beyond represents the last leg of a 30-year journey to 2020 and as the incline becomes steeper, there will be greater expectations on GLCs to do more.

B. GLCs need to overcome new and existing challenges

Apart from the external environment described above, GLCs also need to address new and existing internal challenges, including the slowdown in their financial and operational performance, increasing difficulty in finding the next wave of growth, complexities of operating across multiple geographies, talent attraction and retention and hubris.

Softening financial and operational performance

G20 experienced a slow down in net profit growth over the last 5 years (FY2010 – FY2014), with FY2014 registering an actual contraction of 0.5% net profit against the preceding year. Similarly, G20 also recorded lower growth in dividend pay-out over the same period, with total dividend pay-out contracting by 4.1% in FY2014 compared to the year before.

Alongside declining profits and dividends, G20 also struggled to meet their Headline KPIs – achieving only 45% of the FY2014 targets. This represented a 31% decline in achievement against FY2013. The moderation in Headline KPIs are primarily due to G20 having stretched targets set, coupled with macro-economic conditions and foreign exchange fluctuations affecting G20 revenues and costs. Moving forward, the recent tightening of global monetary conditions and expected interest rate increases will cause greater headwinds to G20's overall financial and operational performance.

Increasing complexity of the next growth phase

GLCs' improved performance in the past decade has been partly due to capturing many of the 'low-hanging fruits' such as financial and organisational restructuring, operational enhancement and expansion to meet domestic and regional growth. Therefore the next wave of growth will be a lot harder to accomplish.

Heightened pace of globalisation, liberalisation and regulations

As we gradually transformed and became more competitive, GLCs, as a whole, have benefited from the opening of markets, deregulation and liberalisation in various markets in the region. Post the 2008 Global Financial Crisis, there is nonetheless a palpable increase in regulatory burden and some protectionism in sectors such as banking and financial services.

Source: PCG Analysis, G20 submissions to PCG Secretariat

While there are clear benefits from greater liberalisation of markets and emergence of economic blocs such as the AEC, there is also a danger that potentially excessive conditions placed by provisions under new trade agreements such as the proposed TPPA may significantly constrain the proper growth and development of GLCs.

In this regard, it is therefore imperative that GLCs continue to practise the highest standards of corporate governance and business and product competitiveness while working closely with the relevant authorities to ensure that trade and investment protocols are not just "free" but more importantly, free and fair.

Complexity of operating across many different geographies

Running a business in a new geography is challenging in itself, let alone having multiple subsidiaries across many different countries. Challenges include working with the regulatory regimes and local authorities in foreign countries, managing and adapting to different cultures, understanding the local markets and ensuring equity of performance evaluation and pay across different countries, among others.

Maintaining a focus on talent and human capital management

Talent management practices in GLCs continue to be a key area for them to improve. Based on a survey PCG conducted with 14 foreign and local brokers in 2014, talent management was highlighted as one of the top three things GLCs needed to do to enhance their performance. In 2014, 57% of G20 Malaysia workforce are non-executives. Apart from attraction and management of high performing and high potential employees, GLCs may do well to look into the longer term composition of their work force to enable them to shift towards knowledge-based and higher value adding products and services.

Other areas to look into include grooming more leaders for future growth and succession of the company, improving the hiring criteria at all levels to better manage recruitment of top talent, elevating workforce diversity to meet global standards, structuring development and career paths to help non-executives obtain the right skill sets and facilitate their upward progression.

Hubris and complacency the unseen enemy

History has shown that many companies have decline due to hubris. GLCs are no less vulnerable in this respect with danger signs including complacency, a sense of "knowing better", emerging inefficiencies and inability to evolve fast enough to meet future challenges and competition.

There is a school of thought that leadership should focus on just the art of it or the soft skills. I find that is not complete. There is a science to leadership, such as the analytics and the hard-core functional or subject matter. A balanced leadership model, is what I have been trying to develop.

Dato' Sri Jamaludin Ibrahim
CEO, Axiata Group Berhad

A forum at the GLC Open Day 2011

7.2 The Way Forward to 2020 and Beyond

A. Delivering high performance in the next five years and beyond

In continuing the Programme's 1st Underlying Principles post graduation, GLCs should strive to not only become regional champions but world class companies and global champions.

GLCs to become world class companies and global champions

Developed nations are synonymous with world-class firms and not necessarily vice versa. World class firms have also emerged from developing countries, giving rise to the likes of Lenovo and Huawei from China, Pertamina from Indonesia, PTT from Thailand, Tata group from India as well as Ambev from Brazil. At the micro economic level, producing more world class firms and global champions will greatly assist to accelerate Malaysia to become a developed nation. Petronas is one of the country's companies that have made it to the 'Fortune Global 500' list. Other Malaysian companies making it to this list will certainly help accelerate the country's progress and change the game for the nation – this is something some GLCs are already aiming towards and more should follow suit.

Strive not only to meet but set global standards

In order to be world-class companies, GLCs should not only benchmark their performance against global standards and continue improving their performance to match them, but rather set those standards themselves.

This may apply in industries and geographies where GLCs are among the market leaders – they should continue to innovate and elevate standards beyond what the incumbents or competition can deliver. In this way, GLCs will become the new pacesetters and enjoy greater market share and growth.

Moving forward, focus should be given toward producing global players rather than just regional player. A number of GLCs are prime candidates to be global players, and should begin sharing and exporting their expertise globally.

Dato' Ahmad Zaini bin Othman
CEO, Malaysia Building Society Berhad

Embrace leading business practices to become global champions

To achieve high or market leading standards and ultimately become global champions, GLCs will need to embrace leading management philosophies and business practices such as, customer-centricity, branding, innovation, business process integration, transformation, sustainability and international business management.

Business practices also evolve over time and GLCs will need to be more than just learning organisations, but also curious organisations in order to explore new frontiers and set the pace.

B. Helping to build and shape the nation

In pursuing the Programme's 2nd Underlying Principles post graduation, GLCs should continue to support nation-building and actively shape it.

GLICs and GLCs to continue executing their five roles in NEM

To support nation building post graduation and beyond 2015, the 5 roles of GLICs and GLCs in the New Economic Model (NEM) continue to be relevant with some enhancement, and should be pursued by both GLICs and GLCs with greater intensity. They are:

1. From "Staying the course of the 10-year GLCT Programme" to "Continuing to execute the 3 Underlying Principles of the Programme".
2. From "Relentless drive to become regional champions" to "Relentless drive to become world class companies and global champions".
3. Pursue investments in new industries and sectors (continues to be applicable together with roles 4 and 5 below).
4. Collaborate and co-invest with private sector.
5. Focus on core operations, operate on a level playing field and exit non-core and non-competitive assets.

GLICs and GLCs to continue supporting and particularly shaping other national priorities

Apart from the above enhanced 5 roles in NEM, GLICs and GLCs should continue to play a role in supporting and shaping other national priorities. Historically, GLCs have long been strong supporters and shapers of many development programmes for the nation, such as being contributors to the Malaysia Plans, spearheading development of key economic corridors, and championing the establishment of a good regulatory environment (including regulatory bodies) to enable effective supervision and planning for the various industries and sectors so that they may thrive.

We will continue to translate our vision into action. As a GLC, we are doing our bit and we will continue to assist the government in driving the country's economic growth, especially in this final stretch towards the 2020 ambition.

Tan Sri Datuk Dr. Ahmad Tajuddin Ali
Chairman, UEM Group Berhad

More recently, some GLICs and GLCs have taken part in the discussion of the Trans-Pacific Partnership Agreement ("TPPA"), championing the view that any impact from the trade agreement must be examined holistically in order to avoid erosion of any national interests.

As the nation continues on its trajectory towards achieving developed nation status, GLCs should continue or increase their involvement and contribution in supporting and shaping these national agendas.

GLCs must continue to grow with inclusiveness and sustainability

In supporting the country's target of becoming a high-income nation, it is important that everybody benefits and that this growth can be sustained in the long-run. In this regard, GLCs should continue to elevate inclusiveness and sustainability practices in their organisations. This ensures that many among the *rakyat* will feel and enjoy the benefits when Malaysia achieves high income status. Thus, GLCs should continue to ensure that they serve all stakeholders, which include their employees, vendors and suppliers, customers, and the larger society.

Income inequality is an issue that concerns many countries. As the country develops the 'capital economy' (e.g. GDP), it also needs to take care of the 'people economy' (e.g. household income, cost of living, well-being index, crime rates etc.). Balancing these two areas is crucial for the sake of long-term stability of the country and it is within this context that GLICs and GLCs should support and help professionalise the BEA. Given that a majority of the bottom 40% of the population in Malaysia are Bumiputera, the development of a BEA roadmap to 2020 for each GLIC and GLC will be critical in ensuring that they continue to help economically empower the Bumiputera population.

C. From instituting good governance to building strong institutions

In pursuing the Programme's 3rd Underlying Principles post graduation, GLICs and GLCs which are well run and governed should elevate themselves to become strong, responsible and great institutions to serve as forces of good for the country.

Strong institutions to ensure the spirit of the Programme continues beyond 2015 and help the nation meet its 2020 ambition

2015 and beyond represents the last leg of a 30-year journey to 2020. As the incline to achieving this target gets steeper, it is the quality of the institutions in the country, including economic institutions, that will make the critical difference on this final journey.

Good and strong institutions will also deliver for the nation's and people's benefit, regardless of who is leading the organisation, or the economic or political climate.

GLICs and GLCs as strong institutions will help to ensure that the spirit of the GLCT Programme is continued long after graduation, which in turn will propel GLICs and GLCs to greater heights and enable them to shape and support the nation and care for the wellbeing of all Malaysians for a very long time to come.

D. Establishing a successor entity to sustain the Underlying Principles of the GLCT Programme

In the most recent third strategic review (or stock-take) of the GLCT Programme, many GLIC and G20 Chairmen and CEOs felt that the network effect (created by the Programme) should continue after the Programme.

This resulted in the idea of creating a successor entity to achieve this objective. Broadly, the main objectives of the successor entity would be as follows:

1. To uphold the 3 Underlying Principles of the Programme so that this spirit of the Programme that has successfully carried the GLICs and GLCs this far will remain long after Programme graduation.
2. To significantly help shape and contribute to Malaysia's ambition of becoming a developed country by 2020.
3. To foster business collaboration (e.g. going regional and global) and build knowledge capital (e.g. via sharing of best practices) amongst the members of the successor entity.

UMW's headquarters in Shah Alam, Selangor

The Affin Bank building is situated near the Royale Chulan Hotel on Jalan Raja Chulan, Kuala Lumpur

APPENDICES

APPENDIX A
ACKNOWLEDGEMENTS

The commitment and dedication of the following people have been instrumental in making the GLCT Programme a success.

PCG MEMBERS

(Current)

Dato' Sri Mohd Najib Tun Hj. Abdul Razak
Prime Minister

Dato' Seri Hj. Ahmad Husni Mohamad Hanadzlah
Minister of Finance II

Dato' Sri Abdul Wahid Omar
Minister in the Prime Minister's Department (EPU)

Tan Sri Dr. Ali bin Hamsa
Chief Secretary to the Government

Tan Sri Dr. Mohd Irwan Serigar bin Abdullah,
Secretary General of Treasury

Tan Sri Nor Mohamed Yakcop
Deputy Chairman - Khazanah Nasional Berhad, former Chairman of PCG

Tan Sri Dato' Seri Lodin Wok Kamaruddin
Chief Executive Officer - Lembaga Tabung Angkatan Tentera

Tan Sri Ismee Ismail
Group Managing Director and CEO - Lembaga Tabung Haji

Tan Sri Dato' Sri Hamad Kama Piah Che Othman
President and Group Chief Executive - Permodalan Nasional Berhad

Tan Sri Dato' Azman Hj. Mokhtar
Managing Director - Khazanah Nasional Berhad / PCG Secretariat

Datuk Shahril Ridza Ridzuan
Chief Executive Officer - Employees Provident Fund (EPF)

Dato' Fauziah Yaacob
Deputy Secretary General of Treasury

PCG Members

(Predecessors)

Tun Abdullah Ahmad Badawi *(former Chairman of PCG)*
Tan Sri Dato' Seri Mohd Bakke Salleh
Tan Sri Azlan Zainol
Tan Sri Mohd Sidek Hassan
Datuk Seri Dr. Rahamat Bivi Yusoff
Dato' Abdul Rahim bin Mokti
Datuk Mat Noor bin Nawi
Datuk Puteh Rukiah binti Abdul Majid
Hj. Mohd Nor bin Abdul Rahman

INVITEES TO PCG MEETINGS

Tan Sri Dato' Seri Kong Cho Ha
Allahyarham Tan Sri Jamaluddin Jarjis
Allahyarham Dato' Azlin Alias
Datuk Ahmad Maslan
Datuk Donald Lim Siang Chai
Datuk Hj. Abdul Aziz bin Ismail
Datuk Ahmad Zaki Zahid
Datuk Dr. Awang Adek bin Hussin
Datuk Wira Chor Chee Heung
Datuk Zakaria Sharif
Johan Mahmood Merican
Wan Murtadza Wan Mahmud

GLIC CHAIRMEN

(Current)
Tun Ahmad Sarji Abdul Hamid (PNB)
Laksamana Tan Sri Dato' Setia Mohd Anwar Hj. Mohd Nor (LTAT)
Tan Sri Samsudin Osman (EPF)
Datuk Seri Panglima Hj. Abdul Azeez Abdul Rahim (LTH)

(Predecessors)
Tan Sri Dato' Sri Abi Musa Asa'ari Mohamed Nor (LTH)
Tan Sri Abdul Halim Ali (EPF)
Allahyarham Tan Sri Zainol Mahmood (LTH)

G20 CHAIRMEN

(Current)
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah (MAHB)
Tan Sri Dr. Ir. Ahmad Tajuddin Ali (UEM)
Tan Sri Dato' Seri Dr. Sulaiman Mahbob (TM)
Tan Sri Datuk Amar Leo Moggie (TNB)
Gen (R) Dato' Seri Diraja Tan Sri Mohd Zahidi bin Hj. Zainuddin (AFFIN)
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (MBB)
Tan Sri Dato' Mohd Ghazali Hj Che Mat (R) (Boustead)
Tan Sri Ab. Aziz bin Kasim (THP)
Tan Sri Dato' Abdul Ghani Othman (SDB)
Tan Sri Abdul Halim Ali (MBSB)
Tan Sri Asmat Kamaludin (UMW)
Tan Sri Azlan Zainol (MRCB)
Tan Sri Md. Nor Yusof (MAS)
Tan Sri Samsudin bin Osman (BHB)
Dato' Sri Nazir Razak (CIMB)

(Predecessors)
Tun Musa Hitam (SDB)
Tan Sri Dato' Dr. Mohd Munir Abdul Majid (MAS)
Tan Sri Dato' Ir. Muhammad Radzi Hj. Mansor (TM)
Tan Sri Md. Nor Yusof (CIMB)
Tan Sri Dato' Sri Hamad Kama Piah Che Othman (CCM)
Tan Sri Datuk Dr. Aris Othman (MAHB)
Tan Sri Datuk Dr. Yusof Basiran (THP)
Tan Sri Ab. Rahman bin Omar (CCM)
Tan Sri Dr. Mohd Nadzmi Mohd Salleh (Proton)
Tan Sri Adam Kadir (POS)
Tan Sri Samsudin Osman (SDB)
Dato' Sri Dr. Halim Shafie (TM)
Dato' Sri Azalina Othman Said (CCM)
Dato' Mohd Azlan Hashim (Proton)
Datuk Abu Hassan Kendut (UEM)

G20 CEOs

(Current)

Tengku Dato' Zafrul Tengku Abdul Aziz (CIMB)
Tan Sri Dato' Seri Lodin Wok Kamaruddin (Boustead)
Tan Sri Dato' Seri Mohd Bakke Salleh (SDB)
Tan Sri Mohamad Salim bin Fateh Din (MRCB)
Tan Sri Dato' Sri Zamzamzairani Mohd Isa (TM)
Datuk Seri Ir. Azman Mohd (TNB)
Datuk Abdul Farid Alias (MBB)
Datuk Badlisham bin Ghazali (MAHB)
Datuk Syed Hisham Syed Wazir (UMW)
Dato' Sri Jamaludin Ibrahim (Axiata)
Dato' Sri Zukri Samat (BHB)
Dato' Ahmad Zaini bin Othman (MBSB)
Dato' Izzaddin Idris (UEM)
Dato' Zainal Azwar Zainal Aminuddin (THP)
Christoph Mueller (MAS)
Kamarul Ariffin Mohd Jamil (AFFIN)
Leonard Ariff Abdul Shatar (CCM)

(Predecessors)

Tengku Tan Sri Mahaleel Tengku Ariff (Proton)
Tengku Dato' Sri Azmil Zahruddin bin Raja Abdul Aziz (MAS)
Tan Sri Dato' Seri Abdul Wahab Maskan (Guthrie Group)
Tan Sri Dato' Seri Lodin Wok Kamaruddin (AFFIN)
Tan Sri Amirsham Abdul Aziz (MBB)
Tan Sri Bashir Ahmad bin Abdul Majid (MAHB)
Allahyarham Tan Sri Sabri bin Ahmad (Golden Hope)
Datuk Seri Ahmad Zubir Murshid (SDB)
Datuk Mohamed Razeek Hussain (MRCB)
Datuk Shahril Ridza Ridzuan (MRCB)
Datuk Syed Zainal Abidin Syed Mohd Tahir (Proton)
Dato' Sri Abdul Wahid Omar (UEM, TM, MBB)
Dato' Sri Che Khalib Mohamad Noh (TNB)
Dato' Sri Idris Jala (MAS)
Dato' Sri Nazir Razak (CIMB)
Dato' Dr Abdul Halim Harun (UMW)
Dato' Dr Mohamad Hashim Ahmad Tajudin (CCM)
Dato' Ahmad Fuaad bin Mohd Dahalan (MAS)
Dato' Ahmad Pardas Senin (UEM)
Dato' Che Abdullah @ Rashidi Che Omar (THP)
Dato' Ikmal Hijaz Hashim (POS)
Dato' Johan Abdullah (BHB)
Dato' Noorazman Abdul Aziz (BHB)
Dato' Syed Faisal Albar Syed A. R. Albar (POS)
Dato' Zulkiflee Abbas Abdul Hamid (AFFIN)
Dato' Saiful Bahri Zainuddin (AFFIN)
Ahmad Farid Omar (MBSB)
Ahmad Jauhari Yahya (MAS)
Amirul Feisal Wan Zahir (CCM)
Dr. Rozali Mohamed Ali (CIMB)
Yu Choong Cheong (AFFIN)

PCG SECRETARIAT

(Current)

Tan Sri Dato' Azman Hj. Mokhtar (KNB)
Mohd Izani Ashari (KNB)
Aaron Emmanuel Albert (KNB)
Ahmad Hilmi Azman (KNB)
Ahmad Khairul Razi Ismail (KNB)
Ahmad Zulqarnain Onn (KNB)
Aldrich Tan Shaw Wei (KNB)
Amelia Wardah Kassim (KNB)
Asmidah Hamzah (KNB)
Chee Kok Lim (KNB)
Firdaus Suffian Abdul Latif (KNB)
Hamizah Salleh (KNB)
Datuk Hisham Hamdan (KNB)
Jiv Sammanthan (KNB)
Johan Abdul Razak (KNB)
Mohamed Ridzuan Mohamed (KNB)
Mohd Fuad Ahmad (KNB)
Mohd Halemi Mohd Zaki (KNB)
Mohd Raslan Md Sharif (KNB)
Muhammad Naqib Fazil Shuhaimi (KNB)
Noor Hazwan Noor Hazin (KNB)
Nurul Amni Mohd Amin (KNB)
Ramana Rajalingam (KNB)
Razlina Azura Radzi (KNB)
Rezal Jaafar (KNB)
Saadiah Aziz (KNB)
Shareen Shariza Abdul Ghani (KNB)
Sharon Shyamala Hariharan (KNB)
Siti Safinah Salleh (KNB)
Siti Yuszaina Usop (KNB)
Wan Ab Aziz Ariffin (KNB)

(Predecessors)

Abdullah Abdul Hamid (KNB)
Adilah Junid (KNB)
Affan Mohd Nawi (KNB)
Ahmad Shahizam Shariff (KNB)
Ahmad Zulkhairi Karem (KNB)
Aini Hayati Jamaludin (KNB)
Albert Ch'ng (KNB)
Allan Lee (KNB)
Alvin Ung (KNB)
Amirul Fares Wan Zahir (KNB)
Angela Chong (KNB)
Azman Hussein (KNB)
Azri Zaharuddin (KNB)
Badlishah Halimi (KNB)
Christie Loh (KNB)
Dr. Farid Sani (KNB)
Elakumari Kantilal (KNB)
Eliena Ahmad Gaman (KNB)
Gavin Kanan (KNB)
Hamdan Abdul Majeed (KNB)
Herza Hasnida Abd. Hanan (KNB)
Hilaluddin Abdul Shukor (KNB)
Jamilah Hashim (KNB)
Lim Su San (KNB)
Mohamad Darus Selamat (KNB)
Mohamad Kamal Nawawi (KNB)
Mohamad Ridzwan Nordin (KNB)
Dato' Mohammad Zainal Shaari (KNB)
Mohan Rajasooria (KNB)
Mohd Azharuddin Mat Sah (KNB)
Mohd Nazli Nasarudin (KNB)
Mohd Razali Wahab (KNB)
Mohd Shahril Ayob (KNB)
Dr. Nungsari Ahmad Radhi (KNB)
Salina Sabbaruddin (KNB)
Selvendran Katheerayson (KNB)
Shaline Gnanalingam (KNB)
Shahnaz Al-Sadat (KNB)
Siti Norliza Mohd Sahar (KNB)
Thomas Tan (KNB)
Tunku Ali Redhauddin Tunku Muhriz (KNB)
Wan Ahmad Saifuddin Radzi (KNB)
Wan Khatina Wan Mohd Nawawi (KNB)
Wong Shu Hsien (KNB)
Zurianty Sudin (KNB)

JOINT WORKING TEAM (JWT)

(Current)

Datin Paduka Kartini Hj Abdul Manaf (PNB)
Abdul Gaffor Sahul Hamid (LTH)
Abdul Shukur Aziz (LTAT)
Iswan Rizal Ishak (PNB)
Mazuki Abdullah (PNB)
Mohamad Idros Mosin (PNB)
Mohamad Nasir Ab Latif (EPF)
Mohd Anuar Othman (LTH)
Mohd Saubae Roslan (LTAT)
Normimy Mohamed Noor (LTH)
Sharifah Maarof (EPF)

(Predecessors)

Datuk Abdul Aziz Ismail (LTAT)
Badrulhisyam Fauzi (PNB)
Faezah Nor Japar (PNB)
Mohd Badrulhisham bin Abdul Latif (LTH)
Haslina Basar (PNB)
Major Mohd Ramli Othman (LTH)
Hj. Mohd Hisham Harun (LTH)
Nik Myshani Nik Mohamed (PNB)
Nursyahidah Abdullah (PNB)
Rifina Md Ariff (LTH)
Saira Banu Chara Din (LTAT)
Shahril Baharin (LTH)
Shahril Ramli (EPF)

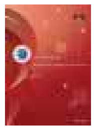
G20 – GLCT PROGRAMME REPRESENTATIVES

(Current)

Affandi Nasir (MBSB)
Ahmad Redzuan Sidek (MRCB)
Ahmad Sabri Zainuddin (Boustead)
Aishah Nor (UEM)
Asyi Syahida Raihan Mohd Hassan (THP)
Azlul Shkib Arslan (TNB)
Azuan Ahmad Zahdi (MAHB)
Engku Fariez Engku Azahan (TM)
Fahmy Ismail (Boustead)
Dr. Farid Mohamed Sani (TM)
Fazlin Salleh (BHB)
Hasbullah Hassin (Axiata)
Johan Aly Abdul Rais (MRCB)
Khairil Liza Mohd Salleh (UEM)
Khairol Idzarahayu Che Khalid (TNB)
Maizura Mohamed (THP)
Mohamad Idham Nawawi (Axiata)
Mohammad Zahlullail Adam (UMW)
Mohd Azlan Mohd Alam (BHB)
Mohd Najib Mohd Seth (Boustead)
Nik Sarah Melissa Sulaiman (CIMB)
Nor Hanim Hamdan (MBB)
Nor Hasliza Mohamad Haslah (SDB)
Nor Zalida Ahmad (MAS)
Rafiza Ghazali (SDB)
Rizal Ismail (MAS)
Rohaizat Abd Rahman (UMW)
Rosnita binti Kamal Din (THP)
Roziatul Akmam Osman (CCM)
Saiful Nazim bin Othman (UMW)
Sazlina Zulkifli (MBSB)
Shahrudin bin Mastor (AFFIN)
Siti Zaviah Nasir (CCM)
Somita Rajendran (MAHB)
Steven Tan Chek Chye (CIMB)
Sumariami Hasbullah (THP)
Syed Sabeer Ali (AFFIN)
Tan Pei Yee (MBB)
Tan Yen Lin (MBB)
Taufik Albar (UEM)
Zawaiah Mohamed (MAS)

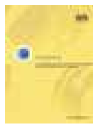
(Predecessors)

Ahmad Azhar Yahya (TM)
Ahmad Rafidzi Ali Ahmad (MAHB)
Ainis Panot (CCM)
Azlinda Salleh (TM)
Aznir bin Abdul Malek (TNB)
Aznam Shahuddin (CIMB)
Balqais Yussoff (POS)
Bhumi Mas Pian (TNB)
Farouk bin Abdul Khalid (TM)
Ir Megat Jalaluddin (TNB)
Imri Mokhtar (TM)
Iskandar Iskak (TM)
Junady Nawawi (BHB)
Lau Chau Ming (CCM)
Muzamil Affendi bin Mohamad Adzib (Proton)
Nadiawati Salleh (Proton)
Narita Naziree (MBB)
Raihana Ahmad (UEM)
Dato' Roslan Ibrahim (UEM)
Salim Abu Haniffa (Axiata)
Sazrin Mohd Razak (MBB)
Shajaratuddur Mohd Ibrahim (TNB)
Dr. Shariman Alwani (SDB)
Syed Mohd Muzakir Syed Hussin (UEM)
Tracey Goh (SDB)
Wan Azmirrudin Hj. Wan Fadzir (CCM)
Wan Hafiz Hamzah Wan Hussien (CIMB)
Wan Nadzree Jaafar (Proton)
Dr. Wong Ah Ngee (TNB)
Zulkifli Mohd Salleh Sabai (MRCB)



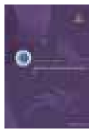
CHIEF PROCUREMENT OFFICER (CPO) CIRCLE MEMBERS

Abdul Malik Mokhtar (MAHB)
Asmawatti Othman (SDB)
Hj. Abdul Halim Md Jamil (LTH)
Abdul Latiff Hj Abu Zal (PNB)
Adi Wira Abd Razak (SDB)
Affan Mohd Nawi (TM)
Ahmad Shahril Ibrahim (UEM)
Airul Azhar (AFFIN)
Azhan Abd Hamid (Axiata)
Azizah Abd Aziz (BHB)
Azlan Ismail (Axiata)
Bassaharil Mohd Yusop (Axiata)
Chew Sung Fook (MRCB)
Elias Effendy (Boustead)
Eliza Hanum (CIMB)
Fadzlyn Mphd Sharif (MBSB)
Fahmy Ismail (Boustead)
Faizal Anuar Abd Shukor (CCM)
Fuziana Baharuddin (Boustead)
Haine Erlena Abd Mutalib (KNB)
Halijah Sagiman (MRCB)
Hans Heith (Axiata)
Hariati Che Khalid (KNB)
Ho Chee Sun (MRCB)
Iza Syazlina (MAHB)
Jamilah Hashim (KNB)
Jascelena Ahmad (MAS)
Jasmin Abu Bakar (MBB)
Jenny Neo Chin Nee (CIMB)
Kamaruddin Zawawi (CIMB)
Khalid Mohd (Boustead)
Khalijah Ismail (MBB)
Khuzairi Abdul Karim (UEM)
Mas Nordin Mansor (Boustead)
Mohamad Afandi Kamaludin (LTH)
Mohamad bin Mohamad Zain (TM)
Mohamad Firdaus Shuib (TM)
Mohammad Hatta Adam (Axiata)
Mohd Najib Mohd Seth (Boustead)
Mohd Zailani Jaafar (UEM)
Muhammad Fauzi bin Abdul Kadir (Boustead)
Noraida Ahmad (TNB)
Norizah Marnoon (Boustead)
Norlelawaty Md Din (AFFIN)
Phang Chi Jin (BHB)
Ramakrishnan Potharaju (Axiata)
Rathiyah Hassan (LTAT)
Rokmah Abdullah (MAHB)
Roslena Zakaria (UEM)
Roslina Samat (THP)
Rozhan Zainuddin (TM)
Shaline Tan Cheng Chin (MAS)
Shamsul Abdul Jabbar (UMW)
Siti Rahimah Nor Rahim (UMW)
Syahida Abdul Kadir (Boustead)
Syed Abu Hanifah Syed Alwi (TNB)
Syed Mustafa Syed Abu Bakar Al-Kaff (Boustead)
Wan Azmirrudin Hj Wan Fadzir (CCM)
Wan Mohd Hoveyda (UMW)
Zainab Hamid (EPF)
Zainal Fithri (CIMB)
Zainuddin Ismail (MAHB)
Zulfakri Mohd Din (Axiata)



CONTINUOUS IMPROVEMENT CIRCLE (CIC) MEMBERS

Alan Hamzah Sendut (SDB)
Ann Wan Tee (MRCB)
Azlina Mohd Rashad (MBSB)
Badrul Feisal Abdul Rahim (UMW)
Eddie Soong (UEM)
Fahmy Ismail (Boustead)
Dr. Farid Mohamed Sani (TM)
Gurdip Singh Sidhu (CIMB)
Hizamuddin Jamalluddin (BHB)
Ir. Megat Jalaluddin (TNB)
Khair Mirza (MAHB)
Maizura Mohamed (THP)
Michael Foong (MBB)
Nazlee Khalifah (AFFIN)
Norzaimah Bt Maarof (CCM)
Rene Werner (Axiata)

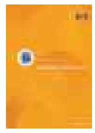


CHIEF FINANCIAL OFFICER (CFO) CIRCLE MEMBERS

Anisuati binti Yahya (LTH)
Ann Wan Tee (MRCB)
Azmin Che Yusoff (UMW)
Chari TVT (Axiata)
Daniel Ebinesan (Boustead)
Datuk Bazlan Osman (TM)
Fahmy Ismail (Boustead)
Faizal Mansor (MAHB)
Faridah Bakar Ali (KNB)
Fazlur Rahman Zainuddin (TNB)
Ho Chai Suan (LTAT)
Kenny Kim (CIMB)
Lee Yoke Kiow (AFFIN)
Mohamad Azlan bin Mohamad Alam (BHB)
Mohamed Azman Shah bin Ishak (THP)
Mohamed Rafique Merican
Mohd Wahiduddin Merican (MBB)
Mohd Najib Mohd Seth (Boustead)
Dato' Mohd Nizam bin Zainordin (PNB)
Mohd Izani Ghani (KNB)
Mohd Sukri Husin (MAS)
Musa Bachik (LTAT)
Nik Fazila Nik Mohamed Shihabuddin (CCM)
Nik Nazhah (KNB)
Norjihan (SDB)
Ramanathan Rajoo (AFFIN)
Datuk Rozaida Omar (LTH)
Shafiq Abdul Jabbar (CIMB)
Shahnaz Farouque bin Jammal Ahmad (CIMB)
Taufik Albar (UEM)
Tang Yow Sai (MBSB)
Datuk Tong Poh Keow (SDB)

REGULATORY MANAGEMENT CIRCLE (RMC) MEMBERS

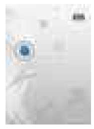
Abdul Rahim Abdul Jamil (TNB)
Ahmad Ismail (TM)
Aidil Haznul Zulkifli (BHB)
Aiman Arif Caezar (MAHB)
Angeline Tan (SDB)
Anne Teoh (TNB)
Arshad Ahmad (TM)
Chuah Yean Ping (SDB)
Devabalan Theyventheran (CIMB)
Fahmy Ismail (Boustead)
Helena Ooi (MBB)
Ismail bin Hj. Abd Rahman (TNB)
Ismaizam Ismail (MAS)
Iswan Rizal Ishak (PNB)
Izrul Haida Mohd Latif (MBSB)
James Teh (MBB)
Johan Aly Abdul Rais (MRCB)
Junaidi Mansor (KNB)
Kamal Bahrein Baharuddin (TM)
Khairil Anuar Baharin (TNB)
Khairil Liza Mohd Salleh (UEM)
Lim Seong Soon (MBSB)
Marilyn Sharon Akbar (CIMB)
Mary Thomas (CIMB)
Mohala Santharamohana (UMCORS)
Mohd Azhan Hassan (TNB)
Mohd Najib Mohd Seth (Boustead)
Mohd Nasir Bin Ujang (UMW)
Mohd Suhaini Ibrahim (KNB)
Mohd Zaidi Zainol Rashid (Boustead)
Muhamad Khair Mirza (MAHB)
Murnihaiza Che Morad (MAS)
Norhizatiulizam Mohd Nor (MBSB)
Norsham binti Ishak (MRCB)
Proteek Kumar Sengupta (MAS)
Raja Hawathul (SDB)
Rakesh Pillai (SDB)
Randhill Singh (MAHB)
Rob Borthwick (Axiata)
Robert Ian Mcewin (UMCORS)
Rohaizat Abd Rahman (UMW)
Sallehuddin Muhammad (SDB)
Sharifah Maarof (EPF)
Somita Rajendran (MAHB)
Sutina binti Labu (MRCB)
Syed Sabeer Ali (AFFIN)
Wan Faizal Abbas (MBB)
Wan Faizal Wan Hassan (Axiata)
Wan Sirajiah Mohammad Zain (THP)




HUMAN RESOURCES (HR) CIRCLE MEMBERS

Abdul Rahim Ahmad (MBSB)
Aida Md Daud (PNB)
Azman Shah Mohamad (TM)
Datin Badrunnisa Mohd Yasin Khan (Axiata)
Darke M Sani (Axiata)
Effendi Abdul Rahman (MAS)
Hj. Fadzil Abdullah (THP)
Feldatun Sharif (TNB)
Hamidah Naziadin (CIMB)
Jocelyn Teh Siau Chin (MRCB)
Juliah Nik Jaafar (UMW)
Khalid Haron (EPF)
Latifah Daud (KNB)
Hj. Mohd Hisham (LTH)
Dato' Mohd Khalis Abdul Rahim (TM)
Dato' Muhammad Razif Abdul Rahman (TNB)
Nawal Hanafiah (Boustead)

Nooralias Fikri Abdul Samad (THP)
Nor Rozita Nordin (AFFIN)
Nora Abdul Manaf (MBB)
Norlida Abdul Azmi (UEM)
Raja Azura Raja Mahayuddin (MAS)
Ramanathan Sathiamutty (Axiata)
Rasidah Kasim (UEM)
Rathiyah Hassan (LTAT)
Razman Ismail (BHB)
Rina binti Sarif (CCM)
Sabrina Chow (UEM)
Shamsuri Md Isa (MAHB)
Suradini Abdul Ghani (MAHB)
Hj. Wahizan Abdul Rahman (TNB)
Wan Amizan Wan Yunus (TNB)
Zahrah Zaid (MAS)
Zulkifli Zainal Abidin (SDB)



CORPORATE SUSTAINABILITY CIRCLE MEMBERS

Dato' Roslan Abd Rahman (TNB)
Datin Nor Ashekien Hj. Akasah (LTAT)
Affandi Nasir (MBSB)
Ahmad Sabri Zainuddin (Boustead)
Akhbar Puteh (UMW)
Amir Shah Idris (TM)
Anis Zuhani Binti Ahmad (LTH)
Anita Perumal (TNB)
Azlina Mohd Rashad (MBSB)
Azuan Ahmad Zahdi (MAHB)
Capt Dato' Badrul Hisham Yusoff (MAS)
Dr. Amir Hisham (TNB)
Dulip Tillekeratne (Axiata)
Eliza Mohamed (MBB)
Fahmy Ismail (Boustead)
Farah Qistina Abdullah (CCM)
Faridah Hashim (Axiata)
Hanita Mustaffa (MRCB)
Hizamuddin Jamalluddin (BHB)
Hj. Ismail Hj. Abdul Rahman (TNB)
Huzairin Mohd. Radzi (TNB)
Isaac liew (MAHB)
Izad Ismail (TM)
Izlyn Amylia Ramli (TM)
Khair Mirza (MAHB)
Lokman Hj Ishak (MAS)
Lydia Thong Yin May (MAHB)
Marina Haizar Marzuki (MBB)
Mohaini Mohd. Yusof (MRCB)
Mohamed Iqbal Abd Rahim (CIMB)
Mohd Hafiz Abdul Ghani (MBSB)
Mohd Haizal Ismail (LTAT)
Mohd Najib Mohd Seth (Boustead)

Mustafa Ishak (MAS)
Nadia Hanafiah (UEM)
Nik Anis Nik Zakaria (MAHB)
Nik Mohamed Yusoff Affendi Jaafar (EPF)
Nohanis Abdul Talib (MAHB)
Noor Hafiza Ruslan (MAHB)
Noor Izlin Andrina Ismail (SDB)
Noorul Syifa Bt. Md Isa (TM)
Nor Zalida Ahmad (MAS)
Normala Ali (BHB)
Nur Farah Abdullah (Axiata)
Nur Melissa Fernandez Abdullah (CCM)
Nurul Sheila Ibrahim @ Tanrahim (SDB)
Omar Bin Atin (BHB)
Raja Mohd Aman Shah Raja Mohd Tahir (TNB)
Randhill Singh (MAHB)
Rohaiza Ahmad (Axiata)
Rosli Bin Ismail (PNB)
Roslina Samat (THP)
Rozita Mohd Razali (MAS)
Saiful Mahadhir (MRCB)
Saira Banu bt Chara Din (LTAT)
Sazlina Zulkifli (MBSB)
Sazrin Mohd Razak (BHB)
Sharen Toh (CCM)
Sharifah Maarof (EPF)
Somita Rajendran (MAHB)
Syarifah Salmah Syed Ahmad (LTAT)
Syed Sabeer Ali (AFFIN)
Tunku Norhamidah Tunku Ulin (MBB)
Zuhaznim Izzuddin (MBSB)
Zuraini Khalil (LTH)

GOVERNMENT MINISTRIES, REGULATORS AND AGENCIES

Bank Negara Malaysia
Bursa Malaysia
East Coast Economic Region Development Council (ECERDC)
Economic Planning Unit (EPU), Prime Minister's Office
Election Commission of Malaysia
Iskandar Regional Development Authority (IRDA)
Jabatan Pertahanan Awam
Majlis Keselamatan Negara
Malaysia Investment Development Authority (MIDA)
Malaysian Anti-Corruption Agency
Malaysian Communications and Multimedia Commission (MCMC)
Ministry of Agriculture and Agro-based Industry
Ministry of Communication and Multimedia
Ministry of Defence
Ministry of Domestic Trade, Co-operatives and Consumerism
Ministry of Education (MOE)
Ministry of Energy, Green Technology and Water
Ministry of Federal Territories
Ministry of Finance (MOF)
Ministry of Foreign Affairs
Ministry of Health
Ministry of Higher Education
Ministry of Home Affairs
Ministry of Human Resources
Ministry of International Trade and Industry (MITI)
Ministry of Natural Resources and Environment
Ministry of Plantation Industries and Commodities
Ministry of Rural and Regional Development
Ministry of Science, Technology and Innovation
Ministry of the Federal Territories
Ministry of Tourism and Culture
Ministry of Transport
Ministry of Urban Wellbeing, Housing and Local Government
Ministry of Women and Family Development
Ministry of Works
Ministry of Youth and Sports
Northern Corridor Implementation Authority (NCIA)
Performance Management Delivery Unit (PEMANDU)
Prime Minister's Department
Securities Commission Malaysia
SL1M Secretariat, EPU
SME Corp Malaysia
Talent Corporation Malaysia Berhad (TalentCorp)
Unit Peneraju Agenda Bumiputera (TERAJU)

ORGANISATIONS AND ADVISORS

&samhoud
A.T. Kearney
ACCA Malaysia
Breakthrough Performance Inc. Sdn Bhd
Cips Creations
DC Print Sdn Bhd
Elektrisola (Malaysia) Sdn. Bhd.
Ernst & Young
Ethos Consulting Group
Federation of Malaysian Manufacturers
GEMS Malaysia Sdn Bhd
Hay Group
Innovation Associates Sdn. Bhd.
Institute of Internal Auditors Malaysia
Integricity Sdn. Bhd.
Intel Technology Sdn. Bhd.
International Center for Leadership in Finance (ICLIF)
Malaysian Directors Academy (MINDA)
Malaysian Institute of Corporate Governance (MICG)
Malaysian Institute of Directors (MID)
McKinsey & Company
Mercer
Mercy Malaysia
Multimedia Development Corporation (MDeC)
Omni View Consulting (M) Sdn Bhd
Open University Malaysia
Persatuan Pengilang dan Industry Perkhidmatan Bumiputera Malaysia
Persatuan Usahawan Tenaga Malaysia
Petra Perdana Berhad
Petroliam Nasional Berhad (PETRONAS)
PINTAR Foundation
PricewaterhouseCoopers (PwC)
Pruvent Association
Qarizma Enterprise Sdn Bhd
Securities Institute Development Centre (SIDC)
Shell Malaysia
SIRIM Berhad
Sourcing Value Pty. Ltd.
Strategy&
The Boston Consulting Group (BCG)
Time dotcom Berhad
Towers Watson
Trade Provider Sdn. Bhd.
Trax Associates Sdn. Bhd.
United Nations Development Programme (UNDP), Malaysia
Universiti Institute Teknologi Mara (UITM)
Universiti Kebangsaan Malaysia
Universiti Malaya
Universiti Sains Malaysia
Universiti Teknologi Malaysia (UTM)
University of Malaya Malaysian Centre of Regulatory Studies (UMCoRS)
Wong & Partners
Yayasan Sejahtera

APPENDIX B

G20 Scorecards

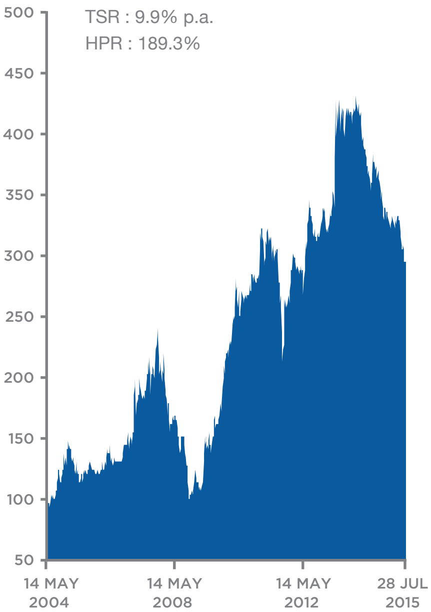
EXPLANATORY NOTES

The following definitions and explanatory notes apply to the historical performance data in the following G20 scorecards, unless otherwise stated:

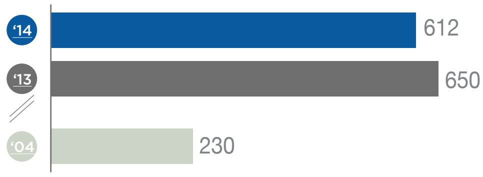
- **Net profit** is defined as net profit after tax and minority interests (PATAMI) after exceptional items
- **Operating cashflow** is defined as operating cashflow after net interest receipts
- **Net cash/(debt)** is defined as year-end total cash and short-term investments, less year-end total borrowings
- **Market capitalisation** refers to year-end market capitalisation
- **ROE** is defined as PATAMI divided by average shareholder funds for the year
- **Net debt-to-assets** is defined as net debt divided by the sum of net debt and total balance sheet equity, inclusive of minority interest
- **Operating margin** is defined as earnings before interest, tax, exceptional items and associate income, divided by revenue
- **Net interest income** is defined as bank interest income less interest expense; excludes Islamic finance and feebased income
- **Loan assets** is defined as year-end loan, financing and advances, as per balance sheet
- **Common equity Tier 1 capital ratio** refers to the statutory definition based on Basel standard prevailing at the time, before dividends, for Malaysian operations only
- **Net non-performing loans (NPL)** refers to the statutory definition i.e. after specific provisions but before general provisions
- **Headline KPIs** mentioned in this report are targets or aspirations set by the company as a transparent performance management practice. The Headline KPIs shall not be construed as either forecasts, projections or estimates of the company or representations of any future performance, occurrence or matter. The Headline KPIs are merely a set of targets/aspirations of future performance aligned to the company's strategy
- **Backward-looking accounting data and derivative financial ratios** may differ from prior-year GLCT Progress Review reports due to the restating of financial accounts

AFFIN HOLDINGS

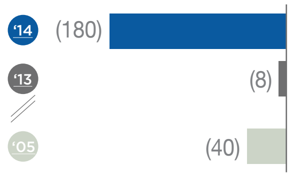
TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'04	'13	'14
Net Interest Income (RM mn)	682	917	949
Non-interest Income (RM mn)	292	388	630
Income from Islamic Banking Operations (RM mn)	103	221	244
Loan Assets	16,858	36,909	40,492
ROE (%) (RM mn)	9	11	8

	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	1,344	4,993

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
After-tax ROE (%)	10.1	10.5	9.2	8.4
After-tax ROA (%)	1.1	1.1	1.1	1.0
Gross Impaired Loan Ratio (%)	2.2	1.98	1.84	1.82
Earnings Per Share (unit: sen)	42.08	43.49	36.00	35.25

KEY MILESTONES (2004 - 2014)

'06: AFFIN Islamic Bank commenced its business operations. AXA-AFFIN Life Insurance Berhad, a joint venture company between AFFIN and AXA started its business operations. Launched new branding and Logo for the Group

'07: Succesfully grouped investment bank related businesses under AFFIN Investment Bank Berhad. Sucessfully entered into a strategic partnership with The Bank of East Asia Limited

'10: Signed a Memorandum of Understanding (MOU) with the The Bank of East Asia, Limited on collaboration of strategic initiatives

'13: AFFIN Investment Bank signed a business collaboration agreement with Daiwa Securities Group Inc, Japan for AFFIN Investment Bank to venture into regional markets

'14: Completed of the acquisition and mergers of the investment banking, futures and asset management businesses of Hwang-DBS (Malaysia) Berhad with the businesses of AFFIN Investment Bank Berhad

RECENT CHALLENGES (in the last 3-5 years)

- Net interest margin squeeze. Banks need to enhance fee based income in order to diversify overall revenue base
- Attracting deposits from consumers with stringent regulatory requirements and maintaining healthy loan to deposit ratio
- Stiff competition among competitors in the financial services industry due to innovation in product features and pricing issues
- Challenging external environment affecting the domestic economy
- Increased complexity of regulatory and compliance environment under the Financial Services Act 2013 and Islamic Financial Services Act 2013
- Ongoing consolidation of Malaysian banking landscape resulting in emergence of larger industry players
- Increased regionalisation of players in the industry to capture cross border transactions
- Recruitment and retention of talent due to migration of home grown talents and intense competition in the industry for new talents

FUTURE PLANS (to 2020)

- To expand through merger and acquisition and strategic collaboration in the areas of Commercial Banking, Islamic Banking and Investment Banking in ASEAN region and China
- To grow gross loans, advances and financing to be at par with the industry
- Sustaining average consumer and business deposits at a minimum 10% per year
- Fee income to contribute to a minimum of 30% of total operating income
- Ensuring key capital adequacy ratios within the industry average
- Managing growth of assets and preservation of asset quality
- Development of key enablers to support business objectives
- Enhance group synergy for business growth

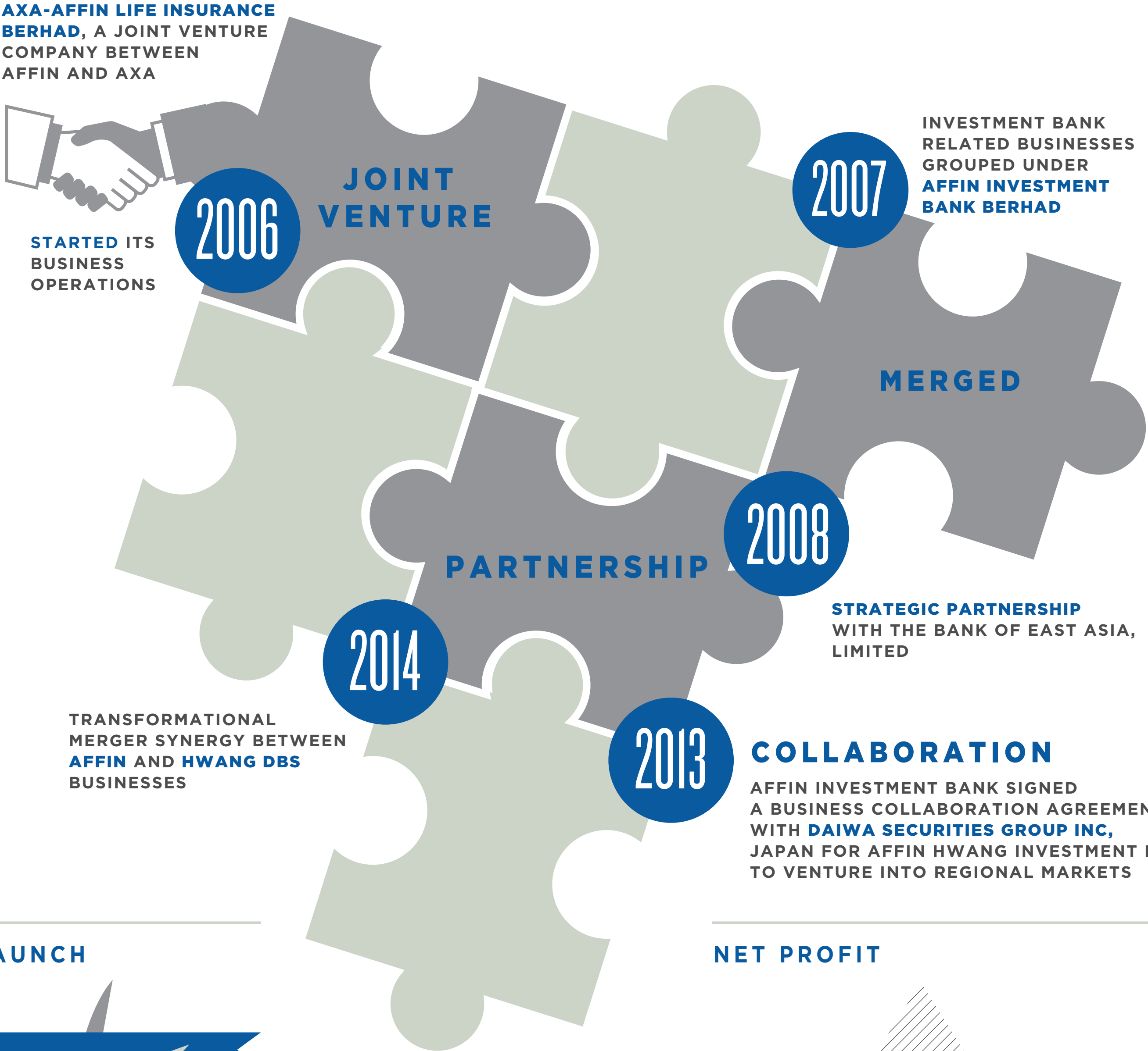
Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

AFFIN GROUP HOLDINGS

10-Year Achievements

EXPANSIONS

AXA-AFFIN LIFE INSURANCE BERHAD, A JOINT VENTURE COMPANY BETWEEN AFFIN AND AXA



STARTED ITS BUSINESS OPERATIONS

INVESTMENT BANK RELATED BUSINESSES GROUPED UNDER **AFFIN INVESTMENT BANK BERHAD**

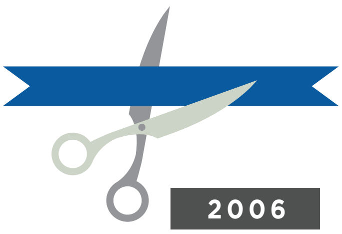
STRATEGIC PARTNERSHIP WITH THE BANK OF EAST ASIA, LIMITED

TRANSFORMATIONAL MERGER SYNERGY BETWEEN **AFFIN** AND **HWANG DBS** BUSINESSES

COLLABORATION

AFFIN INVESTMENT BANK SIGNED A BUSINESS COLLABORATION AGREEMENT WITH **DAIWA SECURITIES GROUP INC,** JAPAN FOR AFFIN HWANG INVESTMENT BANK TO VENTURE INTO REGIONAL MARKETS

LAUNCH

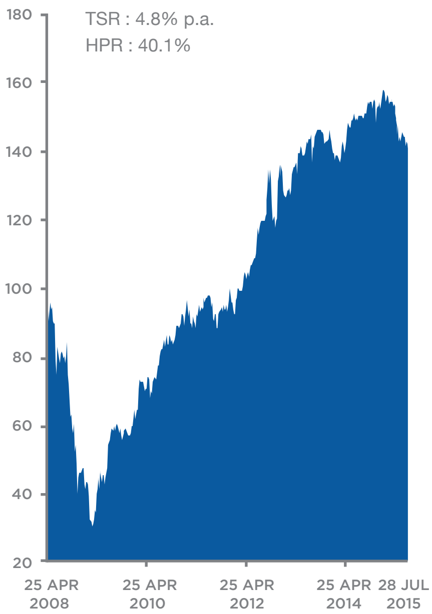


2006

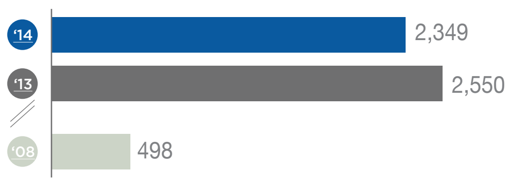
AFFIN ISLAMIC BANK COMMENCED ITS BUSINESS OPERATIONS

NET PROFIT

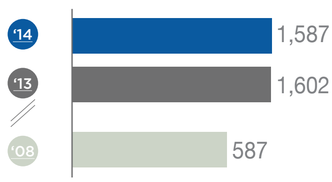
TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'08	'13	'14
Operating Cash Flow (RM mn)	2,487	5,909	5,782
Net Cash/ (debt) (RM mn)	(12,629)	(7,003)	(8,778)
ROE (%)	5	13	12
Net debt-to-assets (%)	52	25	28
Operating Margin (%)	19	22	18

	25 APRIL 2008	28 JULY 2015
Market Cap (RM mn)	29,464	54,826

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
Revenue Growth (%)	7.6	6.7	10.1	4.4
EBITDA Growth (%)	0.2	0.6	1.8	(1.2)
ROIC (%)	10.3	10.7	9.3	8.9
ROCE (%)	8.3	8.6	7.8	7.5

KEY MILESTONES (2004 - 2014)

- '08: TMI demerged from TM, resulting in the acquisition of 100% stake in Celcom
- '09: Axiata through Indocel increased its shareholding in XL to 86.5%
- '10: Axiata through TMI Mauritius and TMI India increased its stake in Idea to 19.1% after the merger between Spice and Idea
- '11: Dialog entered into a share purchase agreement with the shareholder of Suntel Ltd for the acquisition of the entire ordinary shares issue in Suntel
- '12: Axiata acquired Glasswol, the sole owner of Latelz and merged with the operations of Hello as one combined entity, operating under the brand name 'Smart'
- '13: Axiata set up two (2) new business units; edotco Group (owns and manage Axiata's group-wide passive network infrastructure) and Axiata Digital Services (focus on digital entertainment, digital commerce, digital payment and digital advertising services)
- '14: XL completed the proposed acquisition of PT Axis Telekom Indonesia (Axis) and was merged into XL as a single entity

RECENT CHALLENGES (in the last 3-5 years)

- Tapering industry growth as mobile markets mature in the region with mobile penetration rising above 100%
- Substitution risks for traditional voice and SMS service, especially from Over-The-Top (OTT) players, driven by rising smartphone penetration
- Foreign exchange volatility increases operating risks in the region
- Political and regulatory risks where spectrum fees, taxes and government policy place additional pressure on the mobile industry
- Cost pressure from spectrum fees, regulatory, network roll-out and competitive pressures from disruptive players

FUTURE PLANS (to 2020)

- Creating a Regional Champion (Redefining the company)
- Building a New Generation "Telco" (Redefining the Industry)
- Best financial performance – Revenue, market capitalisation and ROIC benchmarked against leading telecommunication groups within Asia
- World-class processes – Processes benchmarking against peers and Net Promoter Score ratings, benchmarked against industry players
- Top employer/Talent factory – Identification of the development of talent and level of employee engagement, benchmarked against world-class companies
- Top National/Social contributor – Recognised as top 10 national development contributor in the countries within our footprint

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

10

AXIATA GROUP BERHAD

10-Year Achievements

REVENUE

GROWTH

65%

(CAGR: 9%)

RM11.3bn ▶▶ RM18.7bn

2008 | 2014

NET PROFIT

GROWTH

57%

(CAGR: 8%)

RM0.5bn ▶▶ RM2.3bn

2008 | 2014

ECONOMIC PROFIT

GROWTH

171%

(CAGR: 18%)

RM587mn ▶▶ RM1.6bn

2008 | 2014

SUBSCRIBER

GROWTH

299%

RM89mn ▶▶ RM266mn

2008 | 2014

MARKET CAPITALISATION

GROWTH

345%

(CAGR: 28%)

RM14mn ▶▶ RM61mn

2008 | 2014

AWARDS

FROST & SULLIVAN 2014
ASIA PACIFIC ICT AWARD
FOR
BEST TELECOM GROUP
FOR THE 6TH CONSECUTIVE YEAR

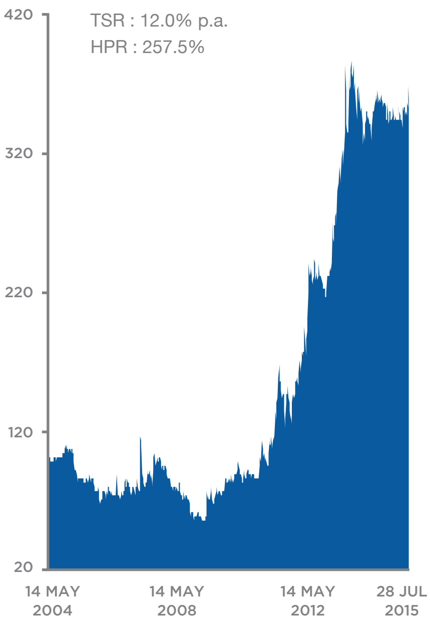
TELECOM ASIA
BEST REGIONAL MOBILE GROUP
2010 AND 2011

MALAYSIAN-ASEAN CORPORATEGOVERNANCE INDEX 2013 AND 2014
TOP 5 OVERALL COPORATE GOVERNANCE AWARD

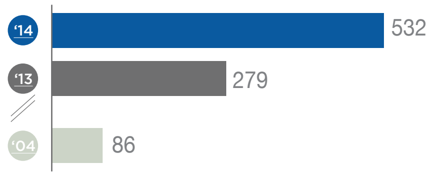
ONLY MALAYSIAN COMPANY TO MAKE
FORBES ASIA FAB 50 LIST IN 2011

BIMB HOLDINGS BERHAD

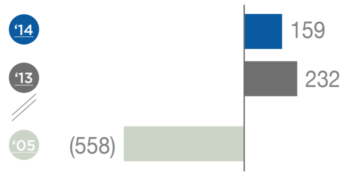
TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'04	'13	'14
Net Interest Income (RM mn)	397	1,078	1,187
Other Operating Income (RM mn)	N/A	958	935
Financing Assets (RM mn)	8,778	23,741	29,525
ROE (%)	5	11	18.5

The core operations of BIMB is in Islamic Banking

	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	963	6,416

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
Return on Assets (%)	1.7	1.75	1.7	1.59
Return on Equity (%)	20	23.83	26	26.14

KEY MILESTONES (2004 - 2014)

- '04: First bank in Malaysia to offer SMS banking services via any mobile operator
- '05: Voted Best Provider of Islamic Finance in Malaysia by Finance News' Best Islamic Banks Poll 2005
- '06: Allowance for losses on financing totalling RM1.33 billion
- '07: Bank Islam initiated a corporate re-branding exercise
- '08: Turnaround from a loss of RM1.3bil in 2006 to a highest recorded profit of RM308.27mil in 25 years
- '09: Injection of new capital into Bank Islam via CRNCPS issuance
- '10: Takaful Malaysia corporate re-branding
- '11: Robust organic growth & further expansion of branch network
- '12: Winner of Platinum Award for Islamic Finance Services for 4 consecutive years - Reader's Digest Trusted Brands Award
- '13: Acquisition of 49% interest in Bank Islam from DFG & TH
- '14: Implementation of Dividend Reinvestment Plan for BHB

RECENT CHALLENGES (in the last 3-5 years)

- Industry Net Income Margin trending down from circa 2.7% in 2010 to 2.3% to-date - heightened competition
- Higher operating costs a challenge to revenue growth in order to rebuild the Bank
- Talent war - limited knowledgeable and highly experienced talent
- Slower industry loan growth from 10% - 11% in 2011 to single digit growth 8% as at 2014
- Sustained GDP growth can be a challenge to banking asset growth. Economic headwinds such as rising inflation, lower net disposable income
- Higher cost of compliance to regulations by banks
- Higher funding costs - mainly from intense competition for low cost deposits/ funding

FUTURE PLANS (to 2020)

- TO BE A GLOBAL LEADER IN ISLAMIC BANKING - "Global Leader" is defined as being the ultimate guidance and source of reference for innovative Shariah-based products and services
- To expand its operations either by internal growth (branch network expansion) or through mergers & acquisitions
- A medium-term goal is to become a major regional player by spreading its wings into neighbouring ASEAN countries. A long-term goal is to ultimately make its presence felt globally
- To continually develop and innovate universally accepted financial solutions in line with Shariah principles
- IFSA 2013- to explore and further leverage on our role as an intermediary vis-à-vis Investment Account Platform hence spearheading the critical success of embracing Investment Account Framework

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

BIMB HOLDINGS BERHAD

10-Year Achievements

PROFIT

TURNAROUND FROM A LOSS TO

RM1.2bn

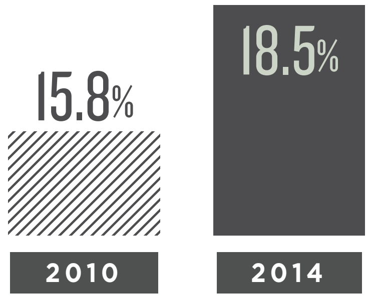
2006

PROFIT OF

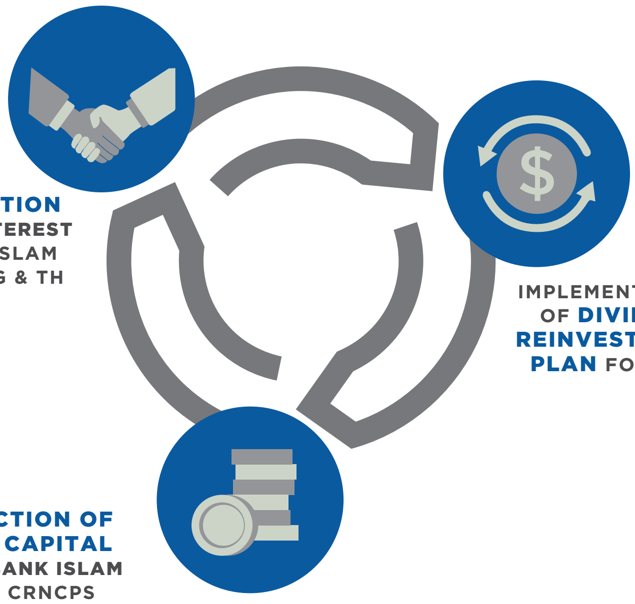
RM532mn

IN FY2014

RETURN ON EQUITY



EQUITY GREW



ACQUISITION OF 49% INTEREST IN BANK ISLAM FROM DFG & TH

IMPLEMENTATION OF **DIVIDEND REINVESTMENT PLAN** FOR BHB

INJECTION OF NEW CAPITAL INTO BANK ISLAM VIA CRNCPS ISSUANCE

RE-BRANDING

BANK ISLAM

Takaful malaysia

EXPANSION

ROBUST **ORGANIC GROWTH** & FURTHER EXPANSION OF **BRANCH NETWORK**

AWARD

VOTED

BEST PROVIDER OF ISLAMIC FINANCE IN MALAYSIA

BY

FINANCE NEWS' BEST ISLAMIC BANK POLL 2005

WINNER OF

PLATINUM AWARD FOR ISLAMIC FINANCE SERVICES

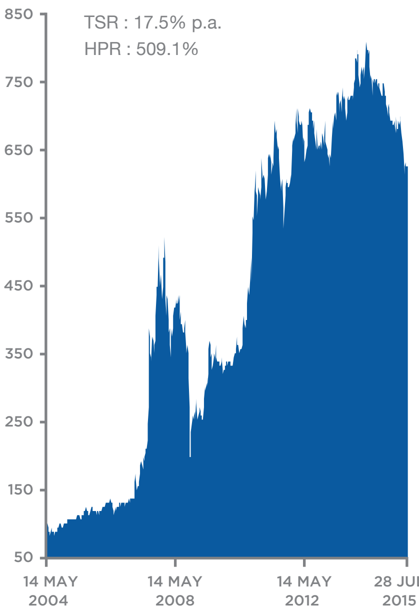
FOR

4 CONSECURIVE YEARS

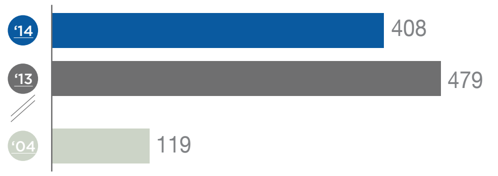
- READER'S DIGEST TRUSTED BRANDS AWARD

Boustead Holdings Berhad

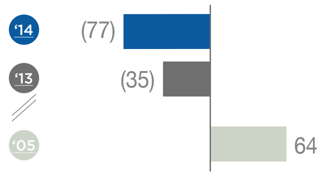
TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'04	'13	'14
Operating Cash Flow (RM mn)	177	503	1,013.8
Net Cash/ (debt) (RM mn)	(1,620)	(5,998)	(5,923)
ROE (%)	6	10	7
Net debt-to-assets (%)	40	50	44
Operating Margin (%)	20	4	6

	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	997	4,137

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
ROE (%)	9.5	9.7	8.0	7.3
ROA (%)	6.5	6.7	6.5	6.1
Net Dividend Per Share (unit: sen)	30	30	30	26

KEY MILESTONES (2004 - 2014)

- '04: Opening of "the Curve", Malaysia's first pedestrianised shopping mall
- '05: Opening of new hotel, The Royale Bintang the Curve - 150 rooms
- '06: Rebranding of Malaysia's only other home-grown retail petroleum network, BHPetrol Sdn Bhd after Boustead's successful acquisition of 70% stake in BP Malaysia Sdn Bhd
- '07: Boustead Heavy Industries Corporation Berhad restructured and relisted on the Main Board of Bursa Malaysia
- '08: Applied Agriculture Resources Sdn Bhd (AAR), an associate company, officially opens its largest oil palm tissue culture laboratory in Ijok, Selangor
- '09: The JV company, Boustead DCNS Naval Corporation Sdn Bhd received a Letter of Intent for In-Service Support ("ISS") of Scorpene Class Submarines in Malaysia
- '10: Official launch of the Royale Chulan Kuala Lumpur hotel
- '11: Boustead acquired interest in Pharmaniaga Berhad to strengthen its pharmaceutical division
- '12: Opening of new hotel, The Royale Chulan Damansara - 370 rooms and the only hotel in the country with an indoor ice-skating rink
- '13: Pharmaniaga Berhad launched a new retail pharmacy business under the brand name "RoyalePharma Pharmacy"
- '14: Listing of Boustead Plantations Berhad on main market Bursa Malaysia

RECENT CHALLENGES (in the last 3-5 years)

- Fluctuation in crude palm oil prices that affect the plantation business, which is one of the main contributor to profitability
- Introduction of the flexible CPO export tax structure by the Government that will have impact on CPO prices
- Slow growth in global trade volumes and over-supply of various categories of existing vessels in the main shipping markets that suppress charter rates and lowering the demand for new vessels
- Focusing on growing and nurturing talent pool within the organisation
- Competition of imported products from the neighbouring countries and sluggish demand in the domestic market for the fibre cements products caused the downward pressure on selling prices

FUTURE PLANS (to 2020)

- Mixed development in Jalan Cochrane through Boustead Ikano, a JV company with Ikano Group to develop a shopping mall in Kuala Lumpur known as "MyTOWN"
- Expansion of the Royale brand of hotels with the recent acquisition of a London hotel and the construction of a resort in Cherating
- Pharmaniaga Berhad regional market expansion in Indonesia and Saudi Arabia
- BHPetrol will make further gains in market share with new programmes to attract customers and opening of new stations

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

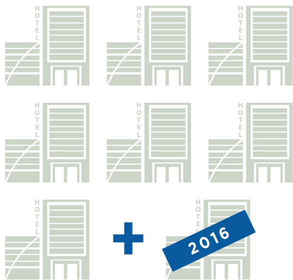
BOUSTEAD HOLDINGS BERHAD

10-Year Achievements

DIVIDEND

2009
22.1 cent ▶ 26 cent
2014

EXPANSION



7 HOTELS IN OPERATION

1 TO BE OPENED BY 2016

ESTABLISHMENT

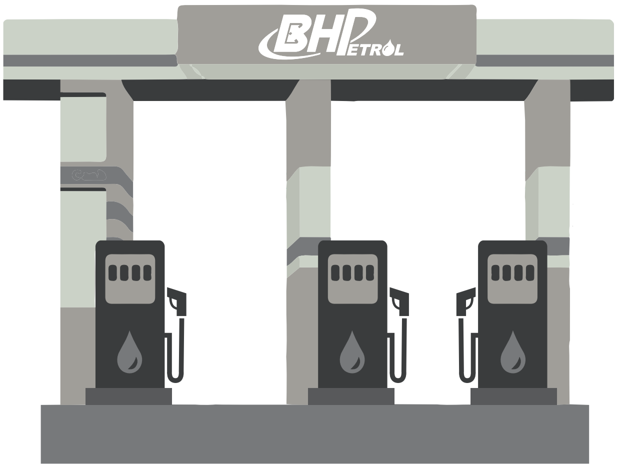
EXPANSION PHARMACEUTICAL DIVISION
BY ACQUIRING PHARMANIAGA BERHAD AND PT ERRITA PHARMA

INVOLVEMENT
IN THE PRODUCTION OF NEW GENERIC AND HERBAL-BASED PRODUCTS

THE CURVE

OPENING OF **"the Curve"**, MALAYSIA'S FIRST **PEDESTRIANISED SHOPPING MALL**

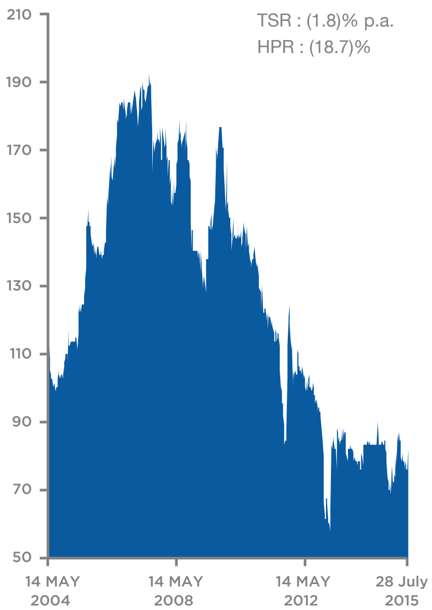
"My TOWN", A LIFESTYLE SHOPPING DESTINATION **TO BE DEVELOPED IN COCHRANE, KUALA LUMPUR**



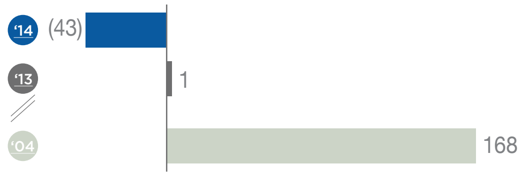
PETROLEUM

REBRANDING OF
MALAYSIA'S ONLY OTHER HOMEGROWN RETAIL PETROLEUM NETWORK, BHPETROL
AFTER BOUSTEAD'S SUCCESSFUL ACQUISITION OF
70% STAKE IN BP MALAYSIA SDN BHD

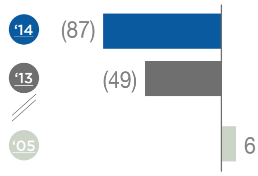
TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'04	'13	'14
Operating Cash Flow (RM mn)	32	151	104
Net Cash/ (debt) (RM mn)	70	(494)	(386)
ROE (%)	27	0	(5)
Net debt-to-assets (%)	N/A	35	30
Operating Margin (%)	27	3	0

	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	777	477

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
After-tax ROE (%)	5.8	1.24	5.8	(4.00)
Profit Before Tax (PBT)(RM mn)	71.6	20.85	76.4	(20.87)
Turnover (RM mn)	1,972.4	1,288.5	1,643.2	1,088.7
Export/regional Sales (RM mn)	N/A	177.84	N/A	66.91
Turnover Growth Rate(%)	(8.99)	(14.89)	(16.69)	(15.51)
PBT Growth Rate(%)	1.99	(71.00)	6.70	(200.09)
PBT Return on Sale(%)	3.63	1.62	4.65	(1.92)

KEY MILESTONES (2004 - 2014)

- '04: Opportunistic divestment of part of CCM's shareholding in a R&D company, SynAm in the USA, generating a net profit of RM151.1m
- '05: Acquisition of Duopharma Biotech Bhd, a leading manufacturer in niche pharmaceutical products such as small volume injectables (SVIs)
- '06: CCM's Group turnover breached the RM1.0 billion mark
- '07: Purchase of the brands, product rights and fixed assets of Malayan Pharmaceuticals Sdn Bhd
- '08: Purchase of the Innovative Group of Companies, a global market leader in the niche segment of manufacturing polymer coatings for the rubber glove industry
- '09: CCM won the "Best Corporate Responsibility Project 2009" at the World Halal Forum 2009
- '10: Completion of the RM55 million cGMP/GSP upgrade of CCM Pharmaceuticals Division's facility in Klang which include the establishment of Malaysia's first inert vaccine fill and finish facility suitable for vialling bulk vaccines
- '11: CCM Pharmaceuticals Division's Bangi plant successfully obtaining the Good Manufacturing Practice (GMP)-Pharmaceuticals certification from the Kingdom of Saudi Arabia (KSA) Food and Drug Authority (SFDA)
- '12: CCM Pharmaceuticals Division inked strategic partnership/collaboration with major multinational players:
  - a. Biocon Ltd, India – to market, sell and distribute a range of insulin products in Malaysia and Brunei
  - b. PanGen Biotech Inc., South Korea – to pioneer the development of biosimilars for renal failure treatments in Malaysia
- '13: CCM celebrated its 50th Anniversary
- '14: CCM invested in a 12% equity stake in PanGen Biotech Inc. ("PanGen") of South Korea and obtained an exclusive marketing and commercialisation rights in Malaysia, Singapore and Brunei for all biotherapeutics developed by PanGen

RECENT CHALLENGES (in the last 3-5 years)

- The Malaysian Intellectual Property (IP) regime which favours multinational originators as opposed to Malaysian companies had inhibited domestic growth potential
- Lack of expertise in newer areas such as Biotherapies
- Sourcing for Halal raw materials/ingredients
- Multinationals originators are also venturing into generic pharmaceuticals
- Ever increasing regulatory standards necessitating large capital spend
- Regulatory environment in South East Asia, in particular the protectionist regime of neighbouring countries had delayed regional expansion
- The US TPPA (Trans Pacific Partnership Agreement) proposals on pharmaceutical IP would impose constraints to the growth of generic pharmaceuticals
- No Fertilizers Act to regulate product quality has impact in the purchasing trend of particularly the smallholders
- Movement from natural rubber to synthetics may impact polymer coating business

FUTURE PLANS (to 2020)

- Strengthen CCM's leadership in Halal to capitalise on the growing demand for Halal products

Expansion of CCM Pharmaceuticals Division into newer areas:

A. Biotherapies

- Clinical III Trials for Erythropoietin (EPO) biosimilar developed for use in the treatment of anaemia in the end- stage renal failure patients
- Clinical IV Trials for the recombinant human insulin, the first generic insulin to be introduced in Malaysia
- Inert vaccine Fill and Finish (F&F) for vialling bulk vaccines

B. Oncology through

- sale of traded products
- investment in capacity

Expansion of CCM Chemicals Division by expanding its polymer coating business via:

1. new facility
2. new technologies

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

CHEMICAL COMPANY OF MALAYSIA BERHAD

10-Year Achievements

GROUP REVENUE

RM697mn
2006

RM1.1bn
2014

PHARMACEUTICALS REVENUE

RM88mn
2006

RM320mn
2014

VENTURE

CCM CHEMICALS DIVISION VENTURE INTO REGIONALIZATION IN POLYMER BUSINESS BORE FRUIT WITH UPWARD TRENDS IN THE EXPORTS TO **THAILAND, INDONESIA, SRI LANKA, CHINA** AND **VIETNAM**

RM21mn
2012

RM22mn
2013

RM31mn
2014

ESTABLISHMENT

COMPLETION OF THE **RM55 MILLION** cGMP/GSP UPGRADE OF CCM PHARMACEUTICALS DIVISION'S FACILITY IN KLANG WHICH INCLUDE THE ESTABLISHMENT OF MALAYSIA'S FIRST INERT VACCINE FILL AND FINISH FACILITY SUITABLE FOR VIALLING BULK VACCINES IN 2010

AWARDS

CCM WAS NAMED THE
"PHARMACEUTICAL COMPANY OF THE YEAR - GENERIC DRUG CATEGORY" IN THE
FROST & SULLIVAN MALAYSIA EXCELLENCE AWARD 2013
FROST & SULLIVAN IS THE RENOWNED MARKET RESEARCH HOUSE

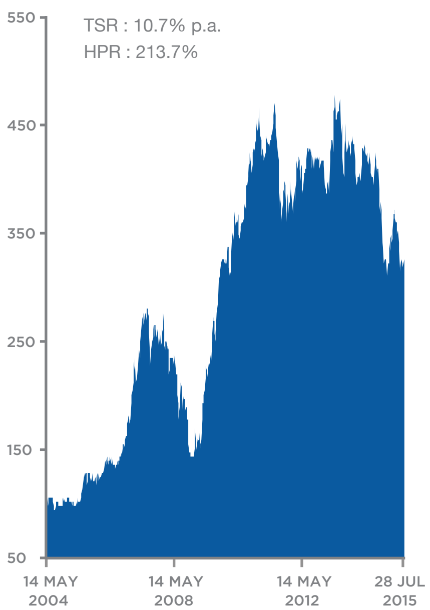
CCM'S RANKING IN THE IMS HEALTH IMPROVED FROM **NO 17 IN 2010** TO **NO 6 IN MAY 2015** AND IS **THE TOP LOCAL MANUFACTURER** IN MALAYSIA

THE SOLE AND HONOURED RECIPIENT OF
THE HALAL EXCELLENCE AWARD 2015
AT **WORLD HALAL CONFERENCE 2015**

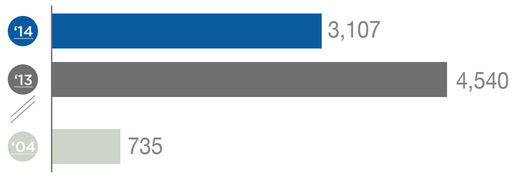
CCM FERTILIZERS SDN BHD BECAME
THE FIRST FERTILIZER COMPANY IN MALAYSIA
TO BE CERTIFIED WITH
MS1900: 2014 SHARIAH - BASED QUALITY MANAGEMENT SYSTEMS - REQUIREMENTS WITH GUIDANCE

![CIMB]

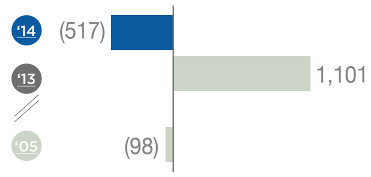
TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'04	'13	'14
Net Interest Income (RM mn)	2,691	7,954	8,656
Non-Interest Income (RM mn)	1,449	5,125	4,029
Income from Islamic Banking Operations (RM mn)	15	1,593	1,461
Loan Assets (RM mn)	65,588	234,558	264,644
ROE (%)	9	16	9

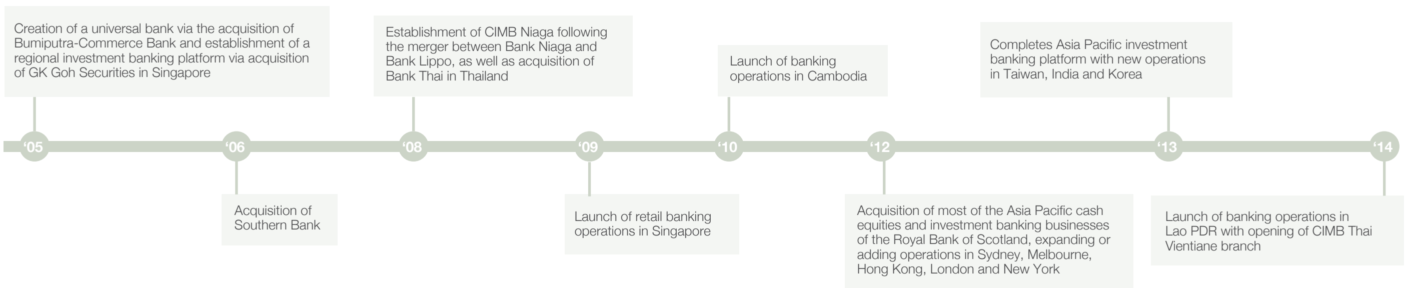
	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	12,418	45,251

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
After Tax ROE (%)	16	15.5	13.5-14.0	9.2
Gross Loan Growth (%)	-	13	14	13.2*
TSR (%)	> FBM KLCI	-10.1% > FBM KLCI	> FBM KLCI	-22.3% > FBM KLCI

**Excluding bad bank*

KEY MILESTONES (2004 - 2014)



RECENT CHALLENGES (in the last 3-5 years)

- Changes in the regulatory environment including stricter capital requirements under Basel III
- Decline in commodity prices especially coal, which brought about asset quality challenges in Indonesia
- Political instability in Thailand which impacted CIMB Thai's growth trajectory
- General elections in Malaysia and Indonesia, which disrupted operations and growth momentum
- Depreciation of local regional currencies against the USD

FUTURE PLANS (to 2020)

- Reiterate focus on ASEAN and to refocus on intermediating trade flows between ASEAN and the rest of Asia
- Establishment of a Regional Commercial Banking segment to spearhead growth in the small and mid-cap segment across the region
- Intensified focus on growing Transaction Banking activity regionally
- Added emphasis on Digital Banking as an enabler to mid- to long-term growth trajectory
- Significant drive on cost management to lower the Group's cost to income ratio

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

CIMB GROUP HOLDINGS BERHAD

10-Year Achievements

MARKET CAPITALISATION

RM12.6bn — FY2004

3.7x

RM46.8bn — FY2014

GROUP LOAN ASSETS

RM62.6bn — FY2004

4.1x

RM258.0bn — FY2014

NEW HEADQUARTERS

OFFICIAL LAUNCH OF 40-STOREY MENARA CIMB IN 2014

WORKFORCE

1,000

OVER 40,000

GROUP STAFF STRENGTH INCREASED OVER **10 YEARS**

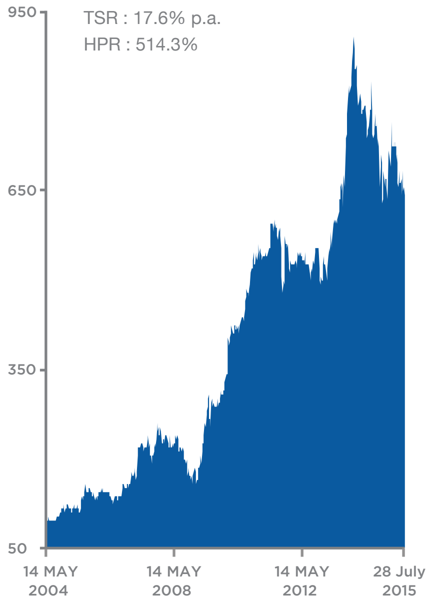
REGIONALISATION

GEOGRAPHICAL EXPANSION FROM JUST MALAYSIA IN 2004 TO **17** COUNTRIES IN **ASEAN** AND **GLOBALLY**

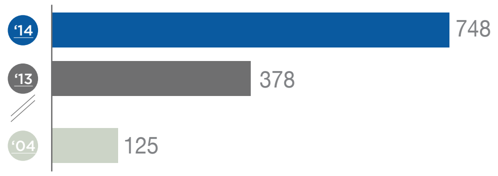
1,030 banking branches

ACROSS 4 CORE OPERATING COUNTRIES AND GLOBALLY IN:

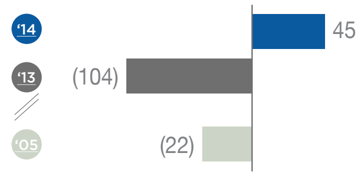
TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'04	'13	'14
Operating Cash Flow (RM mn)	279	879	443
Net Cash/ (debt) (RM mn)	314	(3,844)	(3,816)
ROE (%)	27	8	12
Net debt-to-assets (%)	N/A	45	34
Operating Margin (%)	19	15	12

	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	1,584	9,773

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
EBITDA (RM mn)	751	828	861	861
Airport Service Quality Award	Top 5 in 25-40mn pax category	Top 5 in 25-40mn pax category	Top 5 in >40mn pax category	Top 7 in >40mn pax category

KEY MILESTONES (2004 - 2014)

- '04: MOF (Inc)'s 50% stake in Malaysia Airports transferred to Khazanah, which ended with up with 73% shareholding and transformation initiatives introduced with Malaysia Airports being run as a commercial entity
- '05: KLIA partners with SITA to be the first fully integrated airport in Asia
- '06: MAHB being the first in the region to recognise the booming Low-Cost Carrier (LCC) sector by opening the first dedicated terminal for LCCs (LCCT-KLIA)
- '07: KLIA was accorded the title of World's Best Airport in the 15-25 million passengers per annum category for three consecutive years, from 2005 to 2007
- '08: KLIA was awarded "The Brand Laureate", for Best Brands Transportation Airports 2007-2008
- '09: New Operating Agreements in place; Malaysia Airports is now restructured and able to operate its airports with a clear business direction
- '10: Malaysia Airports is rated AAA / A3+ by RAM / Moody's
- '11: Malaysia Airports received the Highly Commended Corporate Sukuk award for Malaysia Airports Capital's RM1 billion Islamic medium-term notes by the Asset Triple A Awards 2011 for Islamic Finance
- '12: Successfully completed a 10% private placement to local and foreign shareholders worth RM616 million, at a very tight discount of 0.9%, 2.1 times oversubscribed, allocated 91:9 to local and foreign investors
- '13: Increased its interest in Istanbul Sabiha Gokcen International Isletmeleri Airport (ISG) and LGM Havalimani Ticaret ve Turizm A.S.(LGM) from 20% to 60% when it acquired a 40% stake from GMR and obtained joint control with the Limak Group
- '14: Opening of klia2, the world's largest purpose-built terminal for low cost carriers & remaining 40% acquisition of Istanbul Sabiha Gokcen International Airport in Turkey

RECENT CHALLENGES (in the last 3-5 years)

- Global economic outlook and changes in oil prices which have a positive effect on the growth of airlines, traffic movement and passenger demands for air travel
- The drop in oil prices towards the end of 2014 brought welcome relief to the aviation industry, where jet fuel is a significant cost. Nevertheless, airline profit margins will remain slim, and fuel will remain one of the biggest costs for the industry.
- 2014 was an especially challenging year for aviation where a series of air disasters affected public confidence towards air travel
- klia2 is expected to incur higher operating expenditure due to its much larger capacity to accommodate for future growth in passenger and aircraft movements
- MAHB strive to ensure that we provide adequate capacity at our airports to cater for the expected growth in traffic

FUTURE PLANS (to 2020)

- Achieving passenger movements of at least 110 million passengers per annum, revenue of at least RM5 billion a year, EBITDA exceeding RM1.65 billion and the development of more than 1,214 hectares of commercial land at KLIA Aeropolis
- MAHB envisages KLIA as not only an airport, but also as an international meeting place and a centre for business and entertainment; the ultimate airport city. We have called this development, KLIA Aeropolis.
- A cornerstone of Malaysia Airports new vision as a global leader in creating airport cities, KLIA Aeropolis will also enhance Malaysia's attractiveness as a destination for business, tourism, leisure and shopping. The masterplan envisages development will take place in phases over the next 15 to 25 years, gradually transforming the core area around KLIA and klia2 into a vibrant hub of economic activity and leveraging on the country's strategic development plans for tourist and aviation sectors, which aim to quadruple tourist receipts from RM19 billion in 2013 to RM79 billion in 2025 and create some 32,000 aviation related jobs by 2030
- Malaysia Airports aims to be a significant and direct contributor to the government's target of reducing carbon emissions by 40% by 2025

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

MAHB HOLDINGS

10-Year Achievements

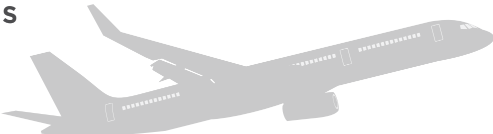
AIRPORTS IN MALAYSIA

OPERATING

5 INTERNATIONAL AIRPORTS

16 DOMESTIC AIRPORTS

18 STOLPORTS



INVESTMENTS

2 OVERSEAS AIRPORTS INVESTMENTS

INDIA + TURKEY

FULL ACQUISITION OF ISTANBUL SABIHA GOKCEN INTERNATIONAL AIRPORT IN TURKEY IN 2014

SERVED

2014

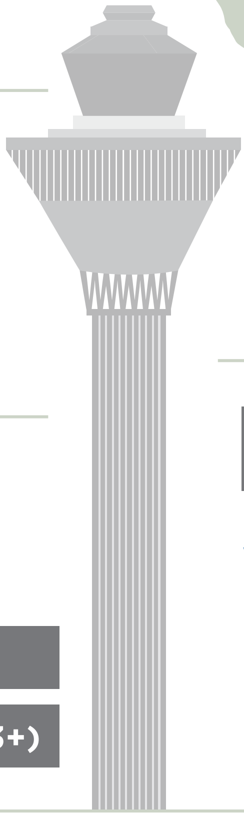
95 AIRLINES

83.3mn PASSENGERS

PASSENGER MOVEMENTS

4.7%

2014



BURSA MALAYSIA

SINCE 1999

RM11.6bn

31 MARCH 2015

INVESTMENT GRADE CREDIT RATINGS MAINTAINED

RAM (AAA)

MOODY'S (A3+)

klia2

THE **WORLD'S LARGEST TERMINAL** DEDICATED TO **LOW-COST CARRIERS (LCC),** OPENED TO FLIGHTS AND PASSENGERS IN **MAY 2014**

AWARDS

THE SKYTRAX 2014 WORLD AIRPORT AWARDS

KLIA RECOGNISED AS

WORLD'S NUMBER TWO AIRPORT

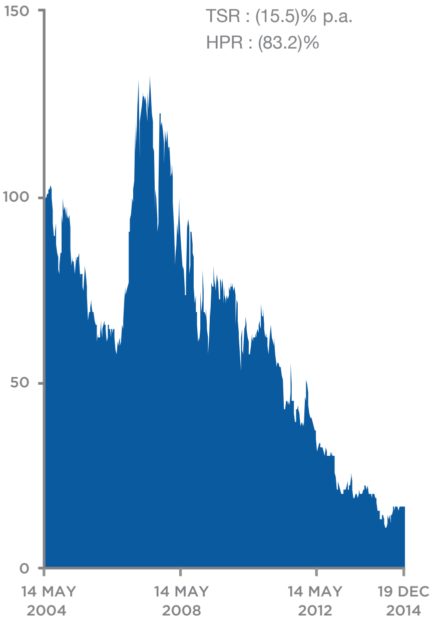
40-50mn PASSENGERS PER ANNUM

THE AIRPORT COUNCIL INTERNATIONAL AIRPORT SERVICE QUALITY AWARDS 2014

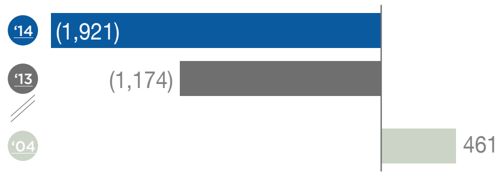
LANGKAWI INTERNATIONAL AIRPORT WAS VOTED **BEST AIRPORT** BY REGION (ASIA PACIFIC)

MARKET PIONEER AWARD 2015 IN RECONITION OF MAHB'S SUCCESSFUL ISSUANCE OF **RM1 billion PERPETUAL SUBORDINATED SUKUK**

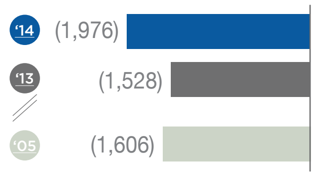
TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'04	'13	'14
Operating Cash Flow (RM mn)	1,206	(747)	(1,263)
Net Cash/ (debt) (RM mn)	2,195	(7,902)	(11,944)
ROE (%)	16	n.m.	n.m.
Net debt-to-assets (%)	N/A	66	102
Operating Margin (%)	2	(4)	(8)

	14 MAY 2004	19 DECEMBER 2014
Market Cap (RM mn)	5,865	4,428

HEADLINE KPIs

Malaysia Airlines Berhad is currently undertaking its 12-point enabling plan in order to return itself to sustained profitability

KEY MILESTONES (2004 - 2014)

- '04: MAS registers PAT of RM461.1m, its highest since being listed in 1985, and second consecutive year of profit following the Widespread Asset Unbundling (WAU) exercise taken in 2002
- '05: Despite 9% increase in revenue, 32% higher operating cost resulted in MAS reporting RM1.26 billion in loss for FY2005
- '06: MAS Business Turnaround Plan (BTP) unveiled
- '07: As a result of the Business Transformation Plan (BTP), MAS reports a swing of RM2.1b in operational improvement resulting in RM851m profit for FY2007, its highest in 60 years
- '08: Launched Business Turnaround Plan (BTP) 2 towards a vision to become the World's Five Star Value Carrier in light of increasing competition, especially regionally
- '09: MAS made an operating loss of RM628m in 2009, described as one of the toughest years in aviation following 9/11 and SARS crises
- '10: Fleet renewal programme sees arrival of MAS' first fully-owned aircraft since 2005, the Boeing B737-800 series aircraft
- '11: Announcement of RM2.5 billion Loss for FY2011
- '12: Arrival of A380 into fleet; aggressive marketing; highest Seat Load Factor 93.5% achieved in December 2012
- '13: Despite carrying 27% more passengers, outpacing 17% increase in seat capacity and record Seat Loads, MAS faced a tough business environment and reported a RM1.17b net loss for FY2013
- '14: Twin tragedies MH370 & MH17 accelerated the need for a complete overhaul, resulting in Khazanah taking over 100% and announcement of MAS Recovery Plan in August 2014

RECENT CHALLENGES (in the last 3-5 years)

- High Jet Fuel price at the average of between USD115 to USD120 per barrel contributes to 40% of MAS' total operating expenses.
- Increased capacity resulted in intensified competition at all MAS' main markets (domestic, ASEAN, Europe) by full service, low cost and hybrid operators
- Blurring of product differentiation between full service, low cost and hybrids especially on short haul sectors
- 2 incidents in 2014 affecting customer confidence in MAS as a brand especially in China and Australia
- Ageing aircraft contributes to increasing operating and maintenance cost

FUTURE PLANS (to 2020)

- Building a New National Carrier and completing the recovery plan by 2018
- Continuous effort to achieve significantly lower cost structure
- Rationalize network and fleet size from 2016 by leveraging on strategic alliances with expansion from 2018 onwards
- New Brand and product proposition to cater for different market segment and regions (domestic, regional, medium to long haul)
- Leveraging on technology to create innovative products and improve efficiency
- Focusing on talent development to be the 'Employer of Choice'

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

MALAYSIAN AIRLINE SYSTEMS BERHAD

10-Year Achievements

PASSENGERS

FLIES AN AVERAGE OF

2015 **40,000**

PASSENGERS DAILY

FLIGHTS

MAKES AN AVERAGE OF

2015 **330**

FLIGHTS DAILY

YOUNG FLEET

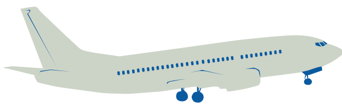
4.2 YEARS

AS AT END 2014 COMPARED TO MANY REGIONAL PEERS

494-SEAT A380 AIRCRAFT

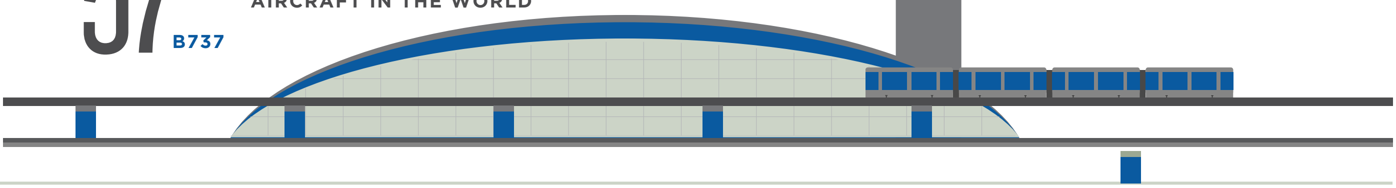
93.5%

HIGHEST SEAT LOAD FACTOR



57 B737

ONE OF THE LARGEST OPERATORS OF THE **BOEING B737-800 SERIES** AIRCRAFT IN THE WORLD



AWARDS

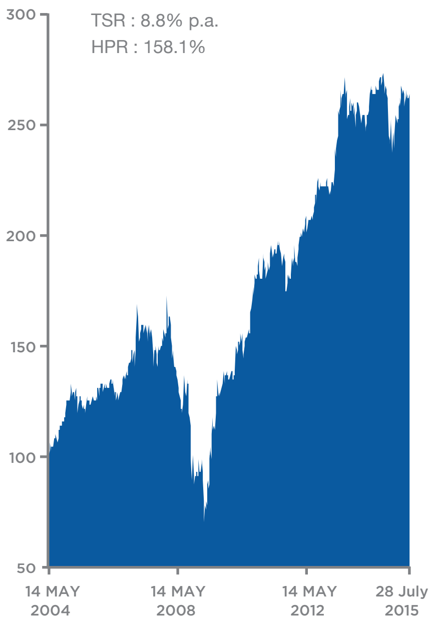
RECOGNISED **6 TIMES**
BY SKYTRAX AS **5-STAR CARRIER**
(2005, 2006, 2007, 2009, 2012, 2013)

RECOGNISED **7 TIMES**
BY SKYTRAX FOR **HAVING WORLD'S BEST CABIN STAFF**
(2001, 2002, 2004, 2005, 2007, 2009, 2012)

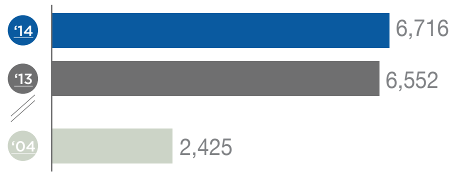
RECOGNISED **4 TIMES**
BY WORLD TRAVEL AWARDS
FOR **ASIA LEADING AIRLINE**
(2009, 2010, 2011, 2013)

RECOGNISED **2 TIMES**
FOR **WORLD'S LEADING AIRLINE TO ASIA**
(2010, 2011)

TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)

HISTORICAL PERFORMANCE

	'04	'13	'14
Net Interest Income (RM mn)	4,119	9,585	9,704
Non-Interest Income (RM mn)	1,801	5,882	5,540
Income from Islamic Banking Operations (RM mn)	522	2,810	3,271
Loan Assets (RM mn)	109,294	355,618	403,513
ROE (%)	17	15	14

	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	34,922	86,612

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
Return on Equity (%)	15.0	15.1	13.0-14.0*	13.8
Group Loans Growth (%)	12.0	14.0	13.0	13.4

** Revised ROE guidance announced on 26 Nov 2014*

KEY MILESTONES (2004 - 2014)

- '04: Integrated Maybank Finance operations to establish an enhanced full-service banking platform
- '05: Acquired Malaysia National Insurance Bhd and its subsidiary Takaful Nasional Sdn Bhd to expand insurance and takaful services
- '06: First to offer online mobile banking via SMS followed by M2U Mobile Services using GPRS/3G phones
- '07: Launched fully integrated Insurance & Takaful business under the Etiqa brandname
- '08: Expanded into ASEAN via acquisition of PT Bank Internasional Indonesia and associate stake in An Binh Bank of Vietnam
- '09: Completed RM6 billion rights issue – the largest in Malaysian corporate history
- '10: Established Maybank Foundation with an initial RM50 million allocation, to spearhead the Group's Corporate Responsibility initiatives in the region
- '11: Expanded the Group's investment banking platform across ASEAN via acquisition of Kim Eng Holdings
- '12: Expanded Greater China operations with the launch of a new branch in Beijing
- '13: Ranked World's 13th Strongest Bank by Bloomberg Markets
- '14: Completed ASEAN footprint with granting of Myanmar license

RECENT CHALLENGES (in the last 3-5 years)

- Challenging global and domestic economic landscape with uneven global economic growth, especially slowing growth in China and the resultant weak commodity prices, as well as volatile global financial markets - especially currencies - as the US Federal Reserve withdraws its monetary stimulus
- New regulatory requirements post-financial crisis including more stringent capital requirements for banks to remain relevant in the new banking landscape
- Competitive environment arising from changes in the financial and operating landscape as well as new forms of operational risks, leading to pressure on interest margins and operating costs

FUTURE PLANS (to 2020)

- Capitalising on Maybank Group's presence across all 10 ASEAN countries to become the most valuable banking brand in ASEAN
- Being fleet-footed and continuously leveraging on Maybank Group's strong balance sheet
- Realising the potential of Maybank Group's diversified and technologically-savvy workforce to best serve customers' needs
- Relentlessly focusing on Maybank Group's mission to Humanise Financial Services

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

MALAYAN BANKING BERHAD

10-Year Achievements

ACHIEVEMENTS

TOTAL ASSETS
RM640.3bn

MARKET CAPITALISATION
RM85.5bn FY2014

NET PROFIT
2014
RM6.7bn
+2.5% Y-o-Y

DIVIDEND PAYOUT
2014
RM5.3bn
RATIO OF 78.5% 2014

FINANCING
32.7%
MARKET SHARE IN MALAYSIA

MOBILE BANKING

NO.1 INTERNET AND MOBILE BANKING PLATFORM IN MALAYSIA WITH 33% AND 64% MARKET SHARE AND EXPANDING ACROSS THE REGION.

CONTRIBUTIONS

MAYBANK FOUNDATION ▶ MAYBANK SUSTAINABILITY AGENDA

1.1% OF NET PROFIT ON COMMUNITY SPEND

GLOBAL CR DAY 24,971 VOLUNTEERS

CASHVILLE KIDZ 660 SCHOOLS 102,580 STUDENTS 2,660 TEACHERS

SCHOLARSHIP AWARDS TOTALLING >RM12MN

REGIONAL PEDIATRIC HEART CENTRE 42 PATIENTS SINCE 2002

PROMOTING EDUCATIONAL EXCELLENCE IN RURAL SCHOOL 4,800 STUDENTS

MICROFINANCE BII BERBAGI >6,000 WOMEN SINCE 2012

ABILYMPICS 28 ARTISTS WITH DISABILITIES

>RM1MN FOR TIGER CONSERVATION

LIVER TRANSPLANT CENTRE 63 TRANSPLANTS SINCE 2002

BALI MARATHON 49 COUNTRIES 4400 RUNNERS

CYCLE 1,000 CYCLIST

FOOTPRINTS

OVER 2,400 OFFICES IN 20 COUNTRIES

OVER 22mn CUSTOMERS

OVER 47,000 MAYBANKERS

29% PRE-TAX PROFIT FROM INTERNATIONAL OPERATIONS

WELL-POISED TO SEIZE BUSINESS OPPORTUNITIES BY LEVERAGING ON EXTENSIVE MARKET REACH AND REGIONAL CAPABILITIES.

AWARDS

TOP 3 POSITION FOR BLOOMBERG'S ASEAN LEAGUE TABLE IN 2014

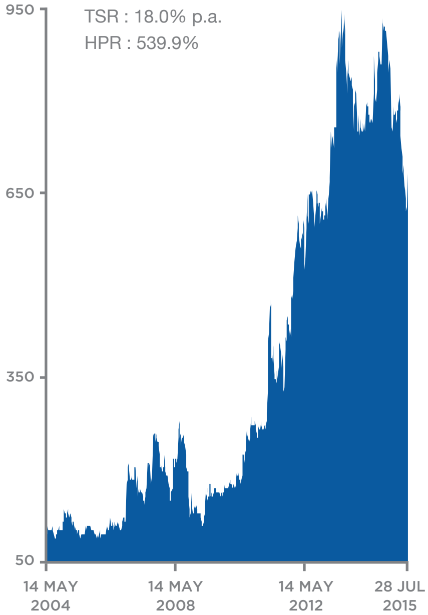
EQUITY CAPITAL MARKETS
2ND FOR EQUITY, EQUITY LINKED & RIGHTS IN ASEAN

DEBT CAPITAL MARKETS
2ND FOR ASEAN DOMESTIC BONDS
3RD FOR ASEAN LOANS BOOK RUNNER

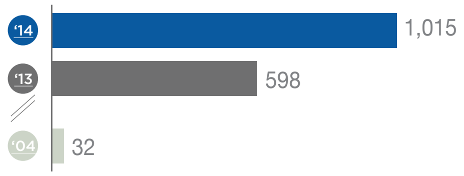
RETAINED TOP 3 POSITION IN BLOOMBERG'S GLOBAL SUKUK LEAGUE TABLE 2014

BRAND VALUE OF USD2.2 BILLION
THE "BEST BANK BRAND IN MALAYSIA"
WITH THE MISSION OF HUMANISING FINANCIAL SERVICES

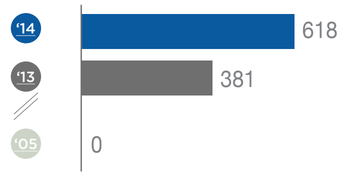
TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'04	'13	'14
Net Interest Income (RM mn)	31	98	244
Non-Interest Income (RM mn)	29	140	92
Income from Islamic Banking Operations (RM mn)	4	1,976	1,995
Loan Assets (RM mn)	3,788	30,296	31,032
ROE (%)	9	32	30

	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	230	4,854

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
Revenue Growth (%)	25	37.4	10	3
Return on Equity (%)	15	32.4	15	29.6

KEY MILESTONES (2004 - 2014)

- '04: MBSB recorded its first pre-tax profit since 1998: RM24.6 million
- '05: MBSB website officially launched
- '06: Introduced more Islamic retail financing and deposit products, more collaborations with strategic alliances and branch expansion
- '07: Continued focus towards core business activity, i.e. retail mortgage financing
- '08: Declared a dividend policy of a minimum pay-out ratio of 30% from Net Profit
- '09: "Taking MBSB to the Next Level" transformation programme initiated by new Chief Executive Officer Dato Ahmad Zaini Othman
- '10: New products for corporate segment and ventured into banca takaful market
- '11: Received the first coveted award from The Edge Billion Ringgit Club *"BEST PERFORMING STOCK" (Highest Returns to Shareholders Over Three Years for Finance Sector)*
- '12: MBSB's Total Reserves in the positive for the first time since 2001
- '13: MBSB becoming the World's First Issuer for a Structured Covered Sukuk Commodity Murabahah Program backed by Financing Receivables of up to RM3.0 billion.
- '14: MBSB achieved record profit after tax of over RM1 billion

RECENT CHALLENGES (in the last 3-5 years)

- BNM Guidelines on curbing household debts (Guidelines on Responsible Financing)
- Higher costs of doing business
- Compression of NIM
- Limited banking business platform
- Scarcity in getting talents from Islamic Banking Industry

FUTURE PLANS (to 2020)

- To prepare in becoming an Islamic Financial Institution
- Closing the gap towards Islamic banking environment
- To convert conventional loan assets into Islamic financing assets

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

10

MALAYSIAN BUILDING SOCIETY BERHAD

10-Year Achievements

RETURN ON EQUITY

2014 30%

2009 11%

COMPANY'S NET NPL

24.6% 4Q2010

4.2% 4Q2014

SUKUK

WORLD'S FIRST ISSUER

STRUCTURED COVERED SUKUK COMMODITY MURABAHAH PROGRAM BACKED BY FINANCING RECEIVABLES OF UP TO

RM3bn

LOAN GROWTH

+282%

2014

2009

ESTABLISHED **PROPERTY & PROJECT MANAGEMENT DIVISION** WITH ISO 9008:2008 CERTIFICATION TO **EVALUATE, MANAGE AND MONITOR** ALL PROJECT FINANCED OR PARTICIPATED BY MBSB.

CONTRIBUTION

ACTIVE CONTRIBUTION TOWARDS EDUCATION SECTOR BY **PROVIDING FINANCING** TO BUILD 9 UNIVERSITY CAMPUSES WORTH **RM2.0 BILLION**

2012

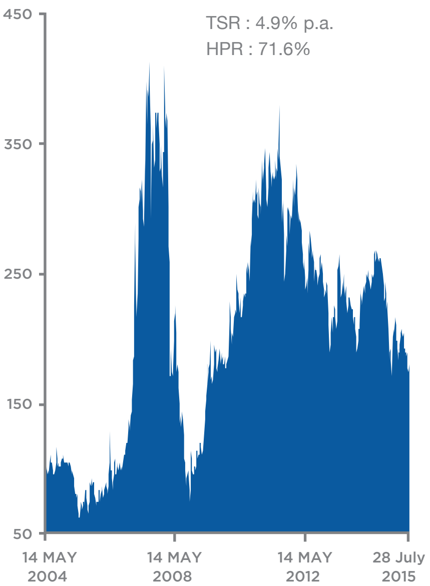
IMPLEMENTED **NEW CORE BANKING SYSTEM** WHICH **ENHANCED PRODUCTIVITY AND EFFICIENCY**

CUMULATION (2009-2014)

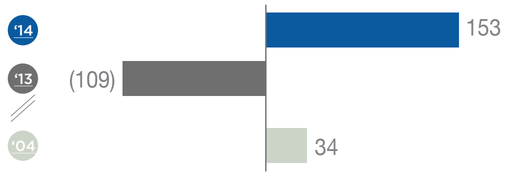
RM4.3bn	RM2.6bn	RM1.1bn
OPERATING PROFIT	NET PROFIT	DIVIDEND PAYOUT

MRCB

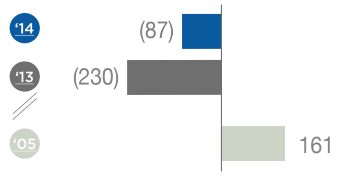
TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'04	'13	'14
Operating Cash Flow (RM mn)	58	43	(178)
Net Cash/ (debt) (RM mn)	(886)	(2,895)	(3,020)
ROE (%)	7	(7)	9
Net debt-to-assets (%)	64	63	59
Operating Margin (%)	40	1	25

	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	572	1,965

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
Revenue (RM mn)	1,200	941	1,835.6	1,514.8
Return from Property Sale (RM mn)	1,000	470	924.5	1,092
Order book for Engineering, Infrastructure and Others (RM mn)	1,000	2,252	1,771.1	2,925
Group Profit before tax (RM mn)	150	(119)	512	220

1. Actual total order book for engineering, infra and others restated due to change in recognition mechanism in 2014

2. Change in recognition mechanism in total order book for engineering, infra and others

KEY MILESTONES (2004 - 2014)

- '04: Entered into a JV with United Malayan Land Berhad via Suasana Sentral Two Sdn Bhd which owns Lot L housing Suasana Sentral Condominium
- '05: Kuala Lumpur Sentral is the first MSC Cybercentre in the country. Establish building services division to integrate facilities management services to the Group and external clients
- '06: Entered into a JV with CapitaLand (M) Investment Pte Ltd and Quill Construction Prema Bonanza which owns Lot D housing Residences
- '07: Entered into a Concession Agreement with GOM for the design, construction and maintenance of EDL and JV with CMY Capital Sdn Bhd and Pelaburan Hartanah Berhad for St Regis and Penang Sentral
- '08: JV with Pelaburan Hartanah Berhad for the development of retail mall in Lot G
  Acquired Transmission Technology Sdn Bhd, a power transmission line contractor
- '09: Undertook a Rights Issue to raise RM540 million for the purpose of financing the development of Lot G and investment of lands for the Group's future development
- '10: Acquired GSB Sentral Sdn Bhd, a property development company which owns Lot 348 housing Shell Tower and Ascott
- '11: Acquired 59 Inc. Sdn Bhd which owns the Setapak land and undertook a privatisation Agreement with Government of Malaysia for Lot 349 in Brickfields
- '13: Acquisition of Nusa Gapurna subsidiaries, Gapurna Global Solutions Sdn Bhd and Gelanggang Harapan Construction Sdn Bhd or the merger of Gapurna group
- '14: Rationalisation exercise which covers disposal of non-core assets of MRCB, monetisation exercise via injection of assets into REIT and acquisition of land banks

RECENT CHALLENGES (in the last 3-5 years)

- Speculative activities pushes prices of property
- Reduction in fuel subsidy and electricity tariff affects escalating cost
- Changes in regulatory environment eg. No more DIBS and higher RPGT for property sold less than 5 years, GST
- Scarcity in land and increasing pressure in land prices
- Escalating cost of construction materials
- Impact from stringent lending guidelines by BNM affecting property buyers
- Weakening MYR currency to other currencies hence affect hedging of price and price escalation for imported materials

FUTURE PLANS (to 2020)

- Improving profit margins
- Balance sheet restructuring (disposal of non core, monetisation of assets for reinvestment)
- Business sustainability (purchase of land banks)
- Human resource initiatives
- Brand building
- Expansion into East Asia markets and possible developed markets

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

10

MALAYSIAN RESOURCES CORPORATION BERHAD

10-Year Achievements

GROUP REVENUE

RM528mn
2006

RM1.5bn
2014

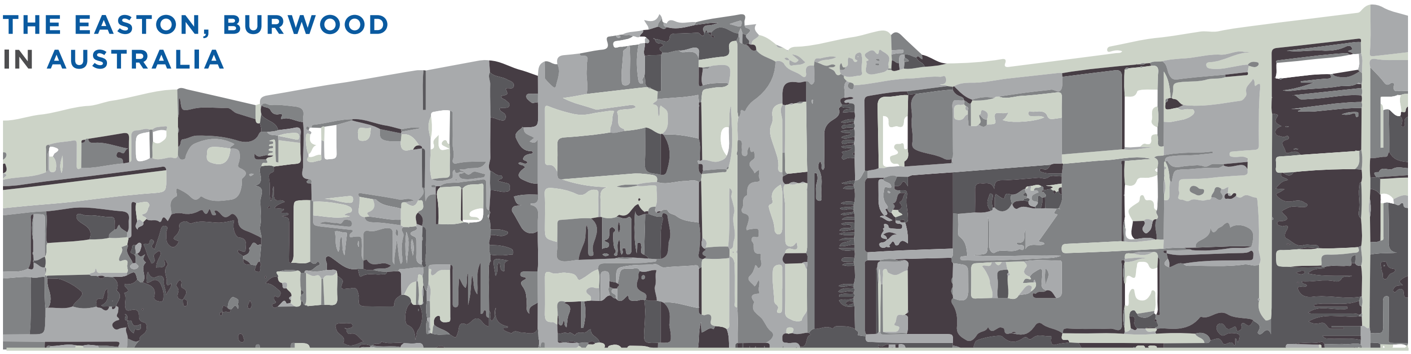
REVENUE FROM PROPERTY SALES

RM210mn
2006

RM771mn
2014

EXPANSION

OVERSEAS EXPANSION:
THE EASTON, BURWOOD
IN AUSTRALIA



HIGHEST ACHIEVEMENTS

2014

HIGHEST REVENUE, PATAMI, DIVIDEND PAYOUT

KL SENTRAL

"KL SENTRAL CENTER BUSINESS DISTRICT"

UNIQUE AND ONLY ONE OF ITS KIND

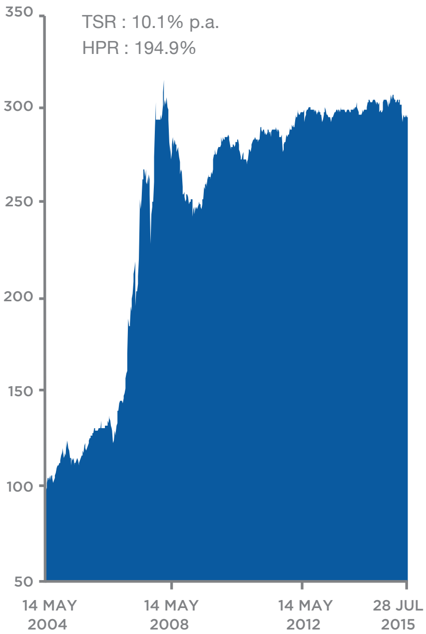
AWARDS

FIABCI WORLD PRIX D'EXCELLENCE AWARDS

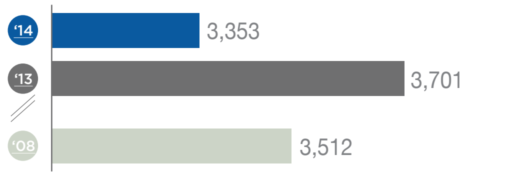
WORLD GOLD WINNER

(SUSTAINABLE DEVELOPMENT CATEGORY) FOR PLATINUM SENTRAL

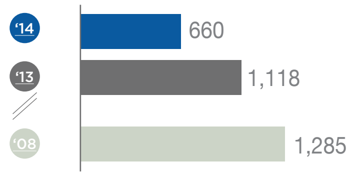
TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'08	'13	'14
Operating Cash Flow (RM mn)	622	3,378	2,480
Net Cash/ (debt) (RM mn)	203	(5,992)	(6,856)
ROE (%)	9	14	12
Net debt-to-assets (%)	N/A	18	19
Operating Margin (%)	11	10	9

	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	18,342*	52,857

* Market Cap is based on the total amount between Sime Darby (pre-merger), Golden Hope and Guthrie

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
Return on Average Shareholders' Fund(%)	12	14	10	12
Net Profit (RM mn)	3,200	3,700	2,800	3,353

KEY MILESTONES (2004 - 2014)

'04: Acquisition of North Shore Motor Holdings Limited (BMW dealer) and the Jardine Cycle & Carriage (truck dealer and Kia, Nissan and Mitsubishi distributor) motor business in New Zealand, making it the largest truck distributor in the country

'05: Completed the Hyundai-Berjaya deal, where Sime Darby Motor owns a 51% controlling interest in Hyundai Sime Darby Motor Sdn Bhd, as well as a 36% equity interest in Inokom Corporation Bhd (Inokom)

'07: Completion of the merger between Kumpulan Sime Darby, Golden Hope Plantations and Guthrie has successfully led to creation of the world's largest listed oil palm plantation company

'09: Successful announcement of the sequencing, assembly and annotation of the oil palm genome, which will enable Sime Darby Plantation to significantly increase palm oil yield

'10: The Group divested the oil and gas businesses to realign its focus on areas where it could achieve a better leadership position

'11: Acquisition of business and assets used in the Bucyrus distribution business for the Caterpillar dealership for Queensland and the Northern Territory of Australia, Papua New Guinea and New Caledonia

'12: Sime Darby entered into a Joint Venture Agreement with S P Setia to develop the Battersea Power Station Project. Sime Darby and S P Setia each have 40% of the equity stake in the JV Company while EPF holds the remaining 20%

'13: Entered into 50-50 Joint Venture Agreement between Sime Darby's Healthcare business and Ramsay Healthcare to consolidate all Sime Darby's healthcare assets in Malaysia with Ramsay's three hospitals in Indonesia

'14: Sime Darby Plantation launched a takeover offer for the shares of New Britain Palm Oil Limited (NBPOL) at £1.07billion for up to 100% shareholding. The acquisition was subsequently completed in March 2015

RECENT CHALLENGES (in the last 3-5 years)

- Volatility of commodity prices i.e. crude palm oil and coal prices
- Scarcity of suitable greenfield land bank and expensive brownfield
- Rising pressures from NGOs on sustainability agenda
- Higher cost of living to reduce affordability
- Rising production costs such as labour and materials
- Fiscal tightening and prevailing cooling measures
- Increasing protectionism and tighter government regulations
- Cooling global economy particularly the Chinese economy

FUTURE PLANS (to 2020)

- Sime Darby will continue to employ a diversified conglomerate business model with the focus of leading edge innovation and sustainability practices
- Sime Darby Plantation pursues the strategy of cost effective land expansion and utilization, operational excellence to maximise CSPO production and to increase global palm product market share
- Sime Darby Industrial aims to grow market leadership for products, replacement parts, service and solutions in all territories by deploying technology as a competitive differentiator towards enhancing customer loyalty and service deliveries
- Sime Darby Motors priorities expansion and investments in new geographical markets/new marques particularly in the Asia Pacific region
- Sime Darby Property aims to be the leading property development and property investment company through innovation, sustainable product portfolio and differentiation
- Sime Darby Energy & Utilities (China) will expand and diversify all ports' annual capacity and capability to maximise its full economic potential
- Sime Darby Energy & Utilities (Non China) will reinforce its strength of Trading Services and Engineering Services

*TSR : Total Shareholder Return
*HPR : Holding Period Return
*PCG : Project Control Group
*CSPO : Certified Sustainable Palm Oil
*RSPO : Roundtable on Sustainable Palm Oil

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

SIME DARBY GROUP HOLDINGS

10-Year Achievements

LARGEST

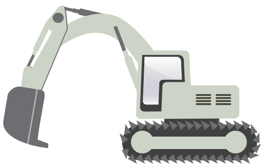
98%

SIME DARBY PLANTATION'S MILLS AND ESTATES IN **MALAYSIA** AND **INDONESIA** ARE RSPO-CERTIFIED, MAKING IT **THE WORLD'S LARGEST PRODUCER OF CERTIFIED SUSTAINABLE PALM OIL**

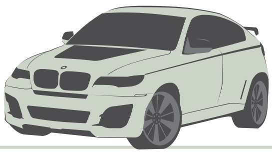
RECOGNITION

SIME DARBY INDUSTRIAL IS ONE OF THE **LARGEST CATERPILLAR DEALERS IN THE WORLD**, WITH

OVER 140 BRANCHES



IN **MORE THAN 10 COUNTRIES**



SIME DARBY MOTORS IS ONE OF THE **TOP 3 BMW DEALERS** IN THE WORLD BY **SALES VOLUME**

WEIFANG SIME DARBY PORT CO., LTD. IS THE **FIRST CONTAINER PORT OPERATOR WITHIN SHANDONG'S YELLOW RIVER DELTA** - SUCCESSFULLY HANDLED OVER **100,000 TEUs*** IN FY2014

AWARDS

FIRST MALAYSIAN COMPANY TO BE INCLUDED IN THE COVETED **GLOBAL AON HEWITT TOP COMPANIES FOR LEADERS 2014**

RANKED **BEST COMPANY IN MALAYSIA FOR CORPORATE GOVERNANCE** BY **ASIA MONEY** IN 2014

SIME DARBY PROPERTY GOLD AWARD WINNER IN **THE PROPERTY CATEGORY** FOR THE PUTRA BRAND AWARDS 2014 **FIVE YEARS IN A ROW**

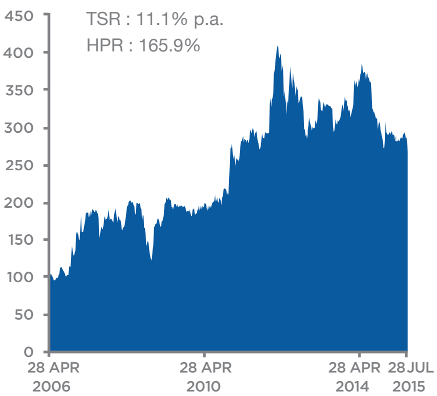
SUKUK

ISSUED ASIA'S FIRST INTERNATIONALLY RATED MULTI-CURRENCY **USD1.5 BILLION** SUKUK PROGRAMME IN 2013 **RATED A, A, AND A3** RESPECTIVELY BY **STANDARD & POOR'S, FITCH AND MOODY'S** AT THE POINT OF ISSUANCE

*TEUs : Twenty-foot equivalent units
*RSPO : Roundtable on Sustainable Palm Oil

TH PLANTATIONS BERHAD

TSR INDEX

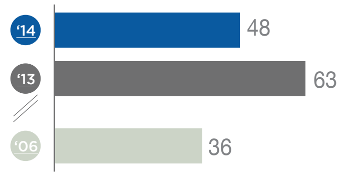


HISTORICAL PERFORMANCE

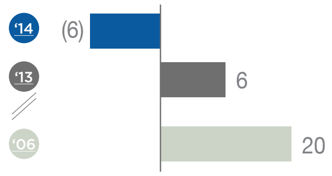
	'06	'13	'14
Operating Cash Flow (RM mn)	37	159	432
Net Cash/ (debt) (RM mn)	40	(862)	(735)
ROE (%)	23	5	4
Net debt-to-assets (%)	N/A	35	31
Operating Margin (%)	39	20	17

	28 APRIL 2006	28 JULY 2015
Market Cap (RM mn)	377	1,282

NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
ROE (%)	6.5	5.47***	6	4.02*
FFB Yield (mt/ha/year)	20.5	23.86	22.4	20.52**
Dividend	To distribute approximately 50% of Group's Annual PATAMI	First and final single tier dividend per ordinary share of 3.62 sen	To distribute approximately 50% of Group's Annual PATAMI	*First and final single tier dividend per share of 2.00 sen. This translates into a net payout of 37% of the Group's PATAMI
Landbank Increase	Driven to undertake new and strategic land bank expansions of an additional 30,000 Ha by 2015			THP has achieved 60% of the targeted land bank expansions via the acquisitions of oil palm plantation in Sarawak, Malaysia & Kalimantan, Indonesia

* *On the back of business environment uncertainties and weaker commodity prices, we have registered ROE of 4.02% and dividend of 2.00 sen per share*
** *FFB yield of 22.40 mt per ha was not achieved mainly due to abnormal weather conditions that affected the FFB production.*
*** *ROE fell short to 5.47% from its target due to the undertaken corporate exercises that involved equity which resulted in a higher shareholders' fund and softer earnings mainly attributed to lower commodity prices*

KEY MILESTONES (2006 - 2014)

'06
THP listed on the main board of Bursa Malaysia Securities Berhad

Voted by The Edge financial publication as the best performing Main Board Initial Public Offering (IPO) of 2006

'07
Acquired the entire equity interest in Zecon Plantation Sdn Bhd

Entered into JV with Yayasan Terengganu to jointly develop a land in Terengganu totalling 2,564 Ha

'08
Acquired 51% & 100% equity interest in Syarikat Sabaco Sdn Bhd & Ladang Bukit Belian Sdn Bhd with plantation land totaling 9,930 Ha in Sabah

Issuance of Bai' Murabahah Medium Term Notes of RM200 million

'09
Entered into two separate conditional share sale agreements to acquire 100% equity interest in THP Kota Bahagia Sdn Bhd and THP Agro Management Sdn Bhd

'11
Entered into conditional share sale agreements to acquire 70% equity interest in Hydroflow Sdn Bhd with plantation land totaling 5,530 Ha

'12
Acquired the entire equity interest in TH Ladang (Sabah & Sarawak) Sdn Bhd and 70% equity interest in TH Bakti Sdn Bhd with plantation land totaling 46,145 Ha

Establishment of Sukuk Murabahah Programme of up to RM1.0 billion

'13
Acquired the entire equity interest in Bumi Suria Ventures Sdn Bhd & Maju Warisanmas Sdn Bhd with plantation land totaling 6,514Ha

Bonus issue of up to 149,730,395 new ordinary shares

'14
THP completed its acquisition of 93% equity interest in PT Persada Kencana Prima in 2014 which owns a total plantation land of approximately 8,500 Ha in North Kalimantan, Indonesia

TH Bakti Sdn Bhd has entered into an agreement to dispose its plantation estate located in Terengganu totaling approximately 1,205 Ha

RECENT CHALLENGES (in the last 3-5 years)

Susceptibility Of Changes in External Factors:

- As a pure upstream plantation player, softening of CPO prices have adverse impact on our bottom-line.
- The plantation industry is currently facing labour shortage and failure to address this would be detrimental to the industry especially in the long run
- The discriminatory measures by western NGOs to harm oil palm industry, from accusations of rampant deforestation and unsound environmental practices to unfair treatment of farmers and indigenous people

Managing the Internal Factors:

- Heighten our attention on lowering the production costs by improving efficiency and productivity to strategically position THP Group in staying relevant and competitive in the highly challenging market conditions.
- Focuses on its 3 Key Growth Nodes namely 1) Value Enhancement of The Enlarged Plantation Platform 2) Land Bank Expansion and 3) Humanizing Our Business Operation hence, staying the course in executing the transformational strategies as well as confident of the sustainable future of the industry
- Higher amortization and profit margin costs erode profitability

FUTURE PLANS (to 2020)

- Improve efficiency and capability through the 3 Key Growth Nodes strategy
- Focus to diversify revenue base via fortifying our role as management agent, rubber plantation and exploring into down-streaming activities

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

10

TH PLANTATIONS BERHAD

10-Year Achievements

MARKET CAPITALISATION

RM1.5bn
FY2014

194%

RM512mn
FY2006

SHAREHOLDER'S EQUITY BY A CAGR OF 29% (FY06 - FY14)

FY2014 RM1.2bn

667%

FY2006 RM158mn

FFB PRODUCTION

TOTAL FRESH FRUIT BUNCH PRODUCTION INCREASED BY 145%

321,233mt ▶ 788,090mt
FY2006 FY2014

LAND BANK

TOTAL LAND BANK INCREASED BY 575% OVER THE YEARS FY2006 - FY2014

15,747Ha ▶ 106,309Ha

AWARDS

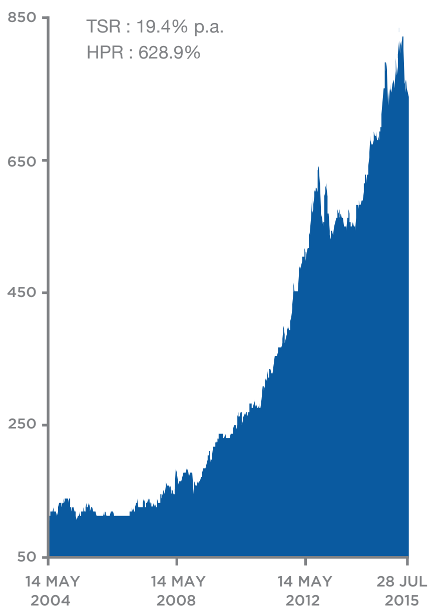
THE EDGE BILLION RINGGIT CLUB 2011
TOP 2 FOR **MOST PROFITABLE COMPANY** UNDER THE PLANTATION SECTOR

THE MSWG MALAYSIAN CORPORATE GOVERNANCE INDEX 2010:
UNDER THE **INDUSTRY EXCELLENCE AWARD**
RANKED 4TH AMONG COMPANIES THAT SCORED A IN MCG INDEX

THE KPMG SHAREHOLDER VALUE AWARD 2007 & 2008
UNDER THE INDUSTRY CATEGORY OF **AGRICULTURE AND FISHERIES**

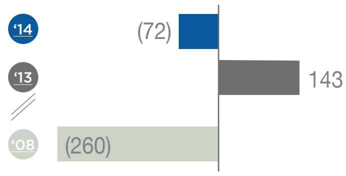
BEST PERFORMING MAIN BOARD INITIAL PUBLIC OFFERING (IPO) 2006:
VOTED BY **THE EDGE FINANCIAL PUBLICATION**

TSR INDEX



NET PROFIT
(RM Million)

ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'08	'13	'14
Operating Cash Flow (RM mn)	2,890	2,933	3,161
Net Cash/ (debt) (RM mn)	(4,627)	(3,271)	(2,984)
ROE (%)	2	14	11
Net debt-to-assets (%)	31	35	31
Operating Margin (%)	12	13	12

	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	29,893	24,614

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
Revenue Growth (%)	6	6.4	5.0-5.5	5.3
EBIT Growth (%)	3	18.2	5	5
Customer Quality Perspective	TRI*M score of 72	TRI*M score of >72	TRI*M score of 72	TRI*M score of >72

KEY MILESTONES (2004 - 2014)

- '04: Restructuring of TM Telco into two strategic business units, TM Wholesale and TM Retail
- '05: Major corporate rebranding exercise with TM adopted as the new brand
- '06: TM implements its second phase restructuring exercise that organises the Group's business into 4 groupings – Malaysia Business, Celcom, TM International and TM Ventures
- '07: 1) TM became the first Malaysian company to receive the coveted Service Provider of the Year award at the 2007 Frost & Sullivan Asia Pacific ICT Awards 2) TM achieved its one-millionth broadband customer
- '08: TM signs a historical Public Private Partnership agreement with the Government of Malaysia to roll out the RM11.3 billion High-Speed Broadband project
- '09: TM's core network infrastructure is upgraded to Next-Generation-Net-work (NGN) technology
- '10: TM launches Malaysia's first triple-play service offering voice, high-speed broadband and IPTV services
- '11: TM, with 300,000 UniFi customers, makes Malaysia the fastest growing FTTH market in South East Asia and 7th in Asia Pacific
- '12: TM achieved another historical milestone with its two-millionth broadband customer
- '13: TM's revenue crossed the RM10b mark, where the revenue growth of 6.4% outstripped that of the industry. TM's PATAMI also crossed the RM1b mark, with a remarkable growth of 17.9%
- '14: TM delivered total return to shareholders (TRS) of 316% since the demerger in 2008, which is the highest in FTSE Bursa Malaysia

RECENT CHALLENGES (in the last 3-5 years)

- Arresting decline in voice services revenue. Although at a slower pace, decline is continuing year-on- year due to lower usage and fixed-to-mobile substitution. However, this is mitigated by growth in the internet & multimedia and data revenue
- Intensifying competition in broadband space, with competition from mobile, LTE and other high-speed broadband providers
- Careful management of HSBB and "Business-as-usual" capital expenditure spend remains crucial along with continued implementation of cost management initiatives, particularly in relation to manpower cost, maintenance and utilities. This is compounded by the challenge of maintaining two concurrent networks while TM undergoes transition to an all-IP Next Generation Network (NGN) as well as high take up of UniFi customers and the need to maintain quality of service, in addition to the impact of increased tariffs and implementation of the Minimum Retirement Age Act 2012 in 2013
- Increased regulatory scrutiny. Regulatory support remains important in light of increasingly competitive industry landscape to ensure equitable and balanced industry structure and fair returns on HSBB network investments

FUTURE PLANS (to 2020)

- Becoming Malaysia's Convergence Champion, delivering fully integrated high-quality Internet, data and application services via fixed and wireless networks. This will be made possible with the recent acquisition of P1 and the deployment of LTE wireless technology
- Continuous execution of TM's Performance Improvement Programme, which is now at Phase 3 or PIP3.0, to ensure sustainable growth of both revenue and profitability. Currently under PIP3.0, TM is focused on institution-building towards growth, efficiency and productivity and instilling a culture of productivity and customer service to ensure a sustainable business for the future. PIP 3.0 is broken into three categories, namely, Continued Growth, Fundamental Productivity Shift and Improve Institutional Health Drivers
- Establishing TM as an Information Exchange, which guides TM to build and operate secure, fast, reliable and open networks and platforms that support all customers and anytime-anywhere-any device application. TM is focused on building an all IP-based next-generation network to support the nation's aspiration of becoming a high-income economy. This includes extending the coverage of HSBB, increasing broadband speeds and availability in sub-urban areas and rolling out a new LTE network
- Establishing TM as an Innovation Exchange, which guides TM to explore new areas of innovation focusing on content, applications and devices delivered over TM's networks and platforms, driving usage of TM's networks. As part of the Innovation Exchange, TM has launched our own start-up accelerator programme which differentiates itself by giving direct access for start-ups to develop and test go-to-market models with TM's ready and existing ecosystem comprising Multimedia University (MMU), Telekom Research & Development Sdn Bhd (TM R&D), our Lines of Business (LOBs) as well as TM's strategic partners and alliances. In effect, TM is offering selected start-ups a launch pad into the market to help them scale up their ventures and gain customer validation
- Expanding and enhancing regional presence by collaborating with regional telco partners, primarily via ACASIA Sdn Bhd. This strategic plan would see TM providing services beyond connectivity. TM will position itself as enabler to ACASIA's 5 main initiatives, namely: ASEAN Regional Connectivity (aRC), ASEAN Broadcast Hub (aBH), ASEAN Market Place (aMP), ASEAN Internet Exchange (aIX) and ASEAN Command Center (aCC)

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

TELEKOM MALAYSIA

10-Year Achievements

TOTAL RETURNS TO SHAREHOLDERS

25 APRIL 2008 TO
31 DECEMBER 2014

316%

HIGHEST IN FTSE BURSA MALAYSIA

MILESTONES

SIGNING OF THE **HSBB PUBLIC-PRIVATE PARTNERSHIP (PPP)** WITH THE GOVERNMENT ON 16 SEPTEMBER 2008

TM INTEGRITY PACT, LAUNCHED IN 2012 ALONG WITH MACC

AN AGREEMENT BETWEEN TM AND ITS VENDORS TO ABSTAIN FROM BRIBERY, COLLUSION, AND OTHER CORRUPT PRACTICES AND ENSURING TRANSPARENCY AND ACCOUNTABILITY, PARTICULARLY IN THE PROCUREMENT PROCESS

BROADBAND SUBSCRIBERS

2006 — 864,000

2014 — 2,230,000

UNIFI SUBSCRIBERS

2010
33,000

2014
729,000

AWARDS

FROST & SULLIVAN ASIA PACIFIC ICT AWARDS

FIXED BROADBAND PROVIDER OF THE YEAR 2012-2014
(3 CONSECUTIVE YEARS)

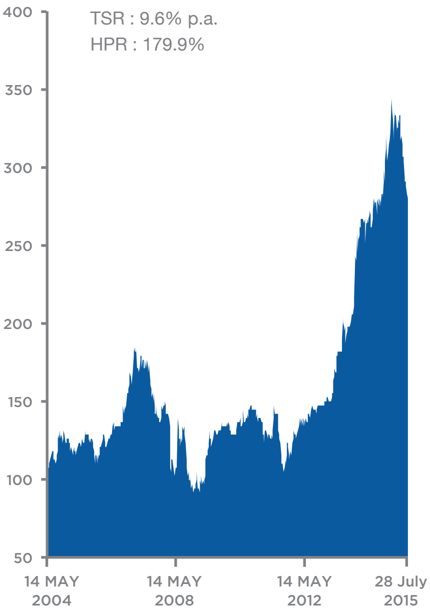
FROST & SULLIVAN MALAYSIA EXCELLENCE AWARDS

TELECOM SERVICE PROVIDER OF THE YEAR 2012-2014
(3 CONSECUTIVE YEARS)

BEST BROADBAND SERVICE PROVIDER OF THE YEAR 2007-2014
(8 YEARS)

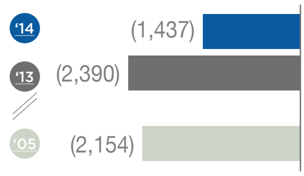
DATA COMMUNICATIONS SERVICE PROVIDER OF THE YEAR 2005-2014
(10 CONSECUTIVE YEARS)

TSR INDEX



NET PROFIT
(RM Million)

ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'04	'13	'14
Operating Cash Flow (RM mn)	3,793	9,209	9,964
Net Cash/ (debt) (RM mn)	28,637	13,846	17,344
ROE (%)	5.5	-	-
Net debt-to-assets (%)	-	26	28.5
Operating Margin (%)	19	16	17

	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	27,552	69,078

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
Return on Asset (%)	4.0-5.0	5.6	6.5-7.0	6.2
Company CPU (sen/kWh)	30.5-31.5	31.0	30.5-32.0	35.0
Revenue from non-Regulated Business (RM bn)	1.9-2.0	2.2	2.2-2.6	2.5
Equivalent Plant Availability Factor(%)	N/A	N/A	85.0-90.0***	85.6***
Transmission System Minutes (min)	1.1-2.0	0.4	1.5-2.0	0.1
Distribution SAIDI (min)	60.0-65.0	64.2	55.0-60.0	55.0

**** UOR has been replaced by EAF as Headline KPI effective from Feb'14*

KEY MILESTONES (2004 - 2014)

'05 Established joint venture with Malakoff for Shuaibah IWPP as part of global expansion strategy

'06 Launched the one-stop 24-7 Customer Center - TNB CareLine 15454 for making TNB services more easily assessable to all customers

'07 Strengthening the power supply security & reliability in Malaysia by commissioning:
- 2100 MW super critical coal-fired Power Plant in Manjung, Perak
- 246 km Sabah East-West grid

'08 TNB ranked as top 3 most admired ASEAN Enterprise in Employment category for best practices talent and human resource management in ASEAN

'09 TNB REMACO appointed as operator for PGB & Centralised Utility Facilities' (CUF) in Kerteh, Terengganu and Gebeng, Pahang

'10 Achieved world-class performance in system security & reliability comparable to Europe:
- Generation (UOR < 4%)
- Transmission (System Minutes < 1 min)
- Distribution (SAIDI reduction from 144 to 88 min)

'11
- TNB REMACO appointed to operate and maintain 3 hydro power plant in New Bong, Azad Jammu & Kashmir in Pakistan.
- Won the Gold Award for Customer Relation Mgmt & Contact Centre by the Contact Centre Association of Malaysia (CCAM)

'12
- TNB won the first competitive bidding for generation capacity which is 1071MW Combined Cycle Gas Turbine Project in Prai , Penang
- TNB REMACO appointed to operate and maintain 3 power plants in Shuaibah North, Az-Zour and Sibayya in Kuwait.
- TNB won Best Brands Award for Energy Utility under Brand Laureate

'13
- TNB launched the 1TNB Transformation Program towards becoming a domestic and regional champion (DRC) focusing on 6 KRAs
- TNB ranked as No 1 company in ASIA (Electric Utilities) in the PLATTs Top 250 Global Energy Companies for high performance in both financial and system security & reliability
- Strengthening the power supply security in Malaysia through developing the first Super Critical 1000MW Coal-fired Plant in Manjung, Perak

'14
- TNB posted the highest market capitalisation in 2014 (RM 70.1 bil), as result of the implementation of 1TNB Transformation Programs
- TNB won the ASIAN Utility Award 2014 for Large Capital Category, Gold Level Performance for both financial and system security & reliability from Edison Electric Institute (EEI)
- Established strong global presence in 7 countries: Indonesia, Brunei, Pakistan, Saudi, UAE, Kuwait and India

RECENT CHALLENGES (in the last 3-5 years)

- Security of fuel impact to availability of fuel
- Pressure tariff and country economic competitiveness
- The economics of electricity supply involves factors such as the availability and cost of fuel, capital investments and technology, environmental costs and national policies, among others. These have to be carefully balanced to ensure optimum reliability and affordability of electricity to the end user
- Land acquisition for new plant up and line for electricity supply

FUTURE PLANS (to 2020)

- KRA 1: Enhance Regulatory Engagement - To increase company profitability through creating values and strengthening regulatory management capability and functions
- KRA 2: Exceed Customer Expectation - To exceed customer expectations and experience with TNB through enhancements of customers channels, touch points, new products and public engagement
- KRA 3: Drive Operational and Cost Efficiency - Sustained world class security and reliability of supply at operational cost efficiencies through enhancement in asset management, CAPEX execution, operations; costs and procurement and loses
- KRA 4: Grow profitable New Business - To increase non regulated profit regionally and internationally through diversification of portfolios , which is 10 -20 billion in revenues by 2025
- KRA 5: Transform Organization - To transform the organization that drive performance and organization health, through enhancement of leadership, business and personal performance, mindset change and unlocking the potentials of people, customers and financial

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

TENAGA NASIONAL BERHAD

10-Year Achievements

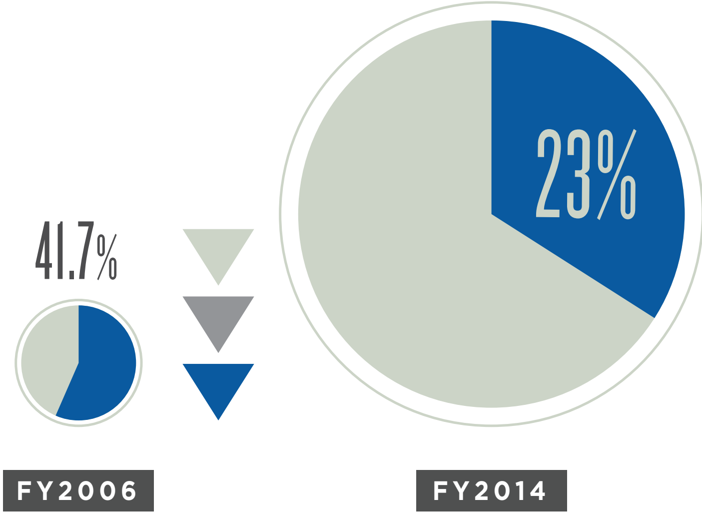
RETURN ON ASSET

6.2%

GROUP ROA EXPANDED

FY2006	FY2014
3.3%	6.2%

DEBT-TO-ASSETS



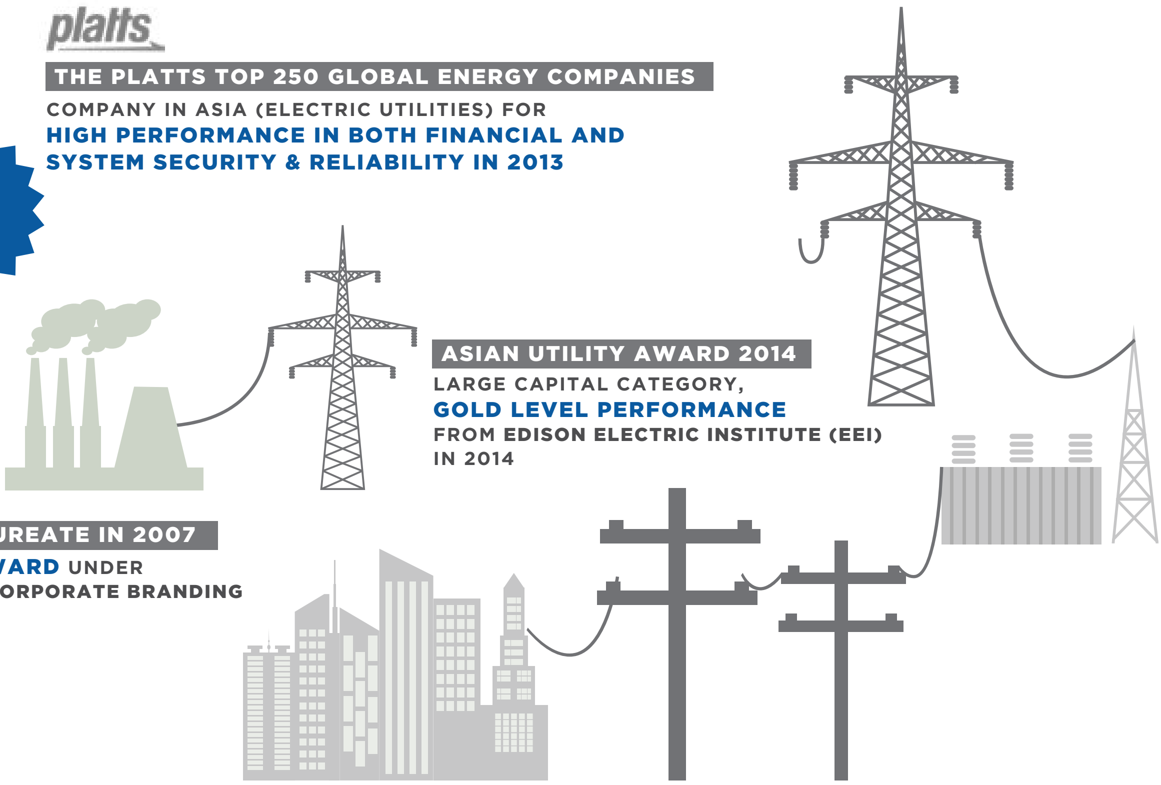
AWARDS

platts

THE PLATTS TOP 250 GLOBAL ENERGY COMPANIES
COMPANY IN ASIA (ELECTRIC UTILITIES) FOR
HIGH PERFORMANCE IN BOTH FINANCIAL AND SYSTEM SECURITY & RELIABILITY IN 2013

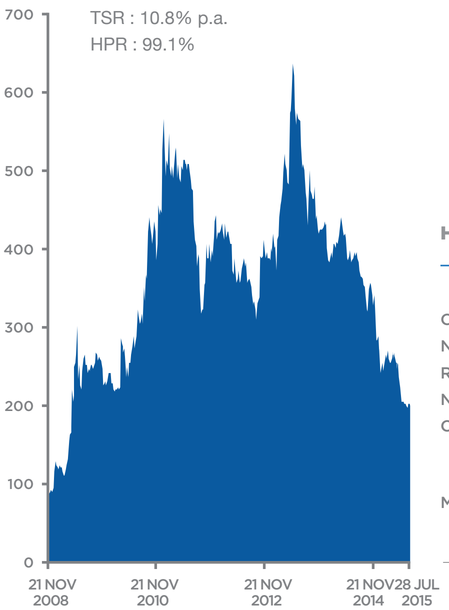
ASIAN UTILITY AWARD 2014
LARGE CAPITAL CATEGORY,
GOLD LEVEL PERFORMANCE
FROM EDISON ELECTRIC INSTITUTE (EEI)
IN 2014

THE BRAND LAUREATE IN 2007
BEST BRAND AWARD UNDER
ENERGY UTILITY CORPORATE BRANDING



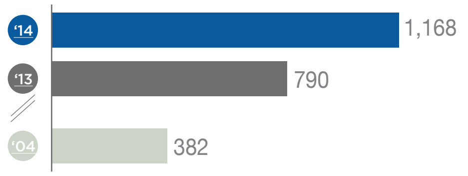
UEM

TSR INDEX

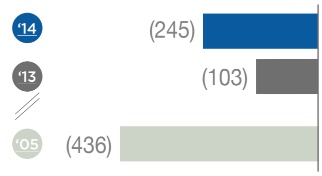


UEM Sunrise is utilised as proxy for TSR

NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'04	'13	'14
Operating Cash Flow (RM mn)	1,040	704	295
Net Cash/ (debt) (RM mn)	(9,068)	476	(1,552)
ROE (%)	7	11	16
Net debt-to-assets (%)	(48)	5	(13)
Operating Margin (%)	33	16	14

	21 NOVEMBER 2008	28 JULY 2015
Market Cap (RM mn)	N/A	N/A

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
Revenue Growth (%)	41.4	29.2	30.0	19.8
Return on Equity (%)	9.0	10.6	11.3	15.8

KEY MILESTONES (2004 - 2014)

- '04: UEM Land secured agreement for the establishment of Johor State New Administrative Centre, the first catalyst development of Nusajaya Iskandar Malaysia, Johor. PLUS took over operations and management of Seremban-Port Dickson Highway
- '05: Successfully completed the construction of College of Technology (Main Campus-Duhail) in Doha, Qatar
- '06: Awarded the construction of Electrified Double Track Project between Rawang and Ipoh
- '07: Opus Group listed its wholly-owned consultancy subsidiary, Opus International Consultants Limited on the New Zealand Exchange Limited on 30 October 2007
- '08: Completed the construction of the 29-storey building, Mercu UEM. Listing of UEM Sunrise Berhad
- '09: UEM Group undertook a streamlining exercise to form four core businesses namely Expressways; Township & Property Development; Engineering & Construction; and Asset & Facility Management
- '10: Acquisition of Sunrise Berhad for RM1.7 billion
- '11: Completed privatisation of Plus Expressway Berhad (PEB) with EPF
- '12: Projek Lebuhraya Usahasama Bhd (PLUS) issued the largest global SUKUK and Malaysia's single largest bond of RM30.6b
- '13: Completed the construction of Penang Second Bridge
- '14: Formed the largest Asset & Facility Management Company in Southeast Asia on 29 October 2014 through UEM Edgenta Berhad (formerly known as Faber Group Berhad), which increased its market capitalisation from RM1.1 billion to RM2.6 billion

RECENT CHALLENGES (in the last 3-5 years)

- Increase in operation and construction costs arising from fluctuation of building materials and energy costs and weakening of MYR
- Challenging competitive landscape in cement and property development sectors
- Political risks and changes in local government's policies affect the Group's effort of expansion in overseas market

FUTURE PLANS (to 2020)

Focus on growth & expansion of UEM Group's four core sectors:

- A. Expressways sector - expanding current footprint with focus in Malaysia, Indonesia & India
- B. Township & Property Development - new developments in strategic locations in Malaysia as well as overseas forays into Australia, Canada & UK
- C. Asset & Facility Management - Continue integration efforts of recently combined entity and intensify pursuit of new businesses locally and abroad
- D: Engineering & Construction - participation in various infrastructure projects in domestic market

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

UEM GROUP BERHAD

10-Year Achievements

RETURN ON EQUITY

8.3% FY2006 ▲ 15.8% FY2014

SUKUK

PROJEK LEBUHRAYA USAHASAMA BHD (PLUS)

AT THE ACCORDED LONG TERM RATING OF AAA(IS) BY MALAYSIAN RATING CORPORATION BHD

ISSUED ▶

LARGEST GLOBAL SUKUK
&
MALAYSIA'S SINGLE LARGEST BOND

RM30.6bn
JANUARY 2012

MARKET CAPITALISATION

RM1.1bn 24.10.2014 ▶ RM2.6bn 31.10.2014

THE **LARGEST ASSET & FACILITY MANAGEMENT COMPANY** IN SOUTHEAST ASIA FORMED ON **29 OCTOBER 2014** THROUGH UEM EDGENTA BERHAD

(FORMERLY KNOWN AS FABER GROUP BERHAD)

AWARDS

UEM LAND COMPLETED ACQUISITION OF **SUNRISE BERHAD** FOR RM1.7bn

▶ ONE OF THE LARGEST PROPERTY DEVELOPERS IN MALAYSIA WITH **COMPLEMENTARY EXPERTISE** AND **COMBINED NET ASSETS BASE CIRCA** RM5bn

BLOOMBERG INTERNATIONAL PROPERTY AWARDS 2010
&
WORLD'S BEST INTERNATIONAL HIGH RISE DEVELOPMENT AWARD

PRIVATISATION

COMPLETED PRIVATISATION OF **UEM WORLD BERHAD**

ENTAILED THE LISTING OF **UEM LAND HOLDINGS BERHAD (NOW KNOWN AS UEM SUNRISE BERHAD)**

▼ BURSA MALAYSIA BERHAD

COMPLETED PRIVATISATION OF **PLUS EXPRESSWAYS BERHAD**

NOW PLUS IS JOINTLY OWNED BY **UEM GROUP AND EPF (51:49)**

CONSTRUCTION

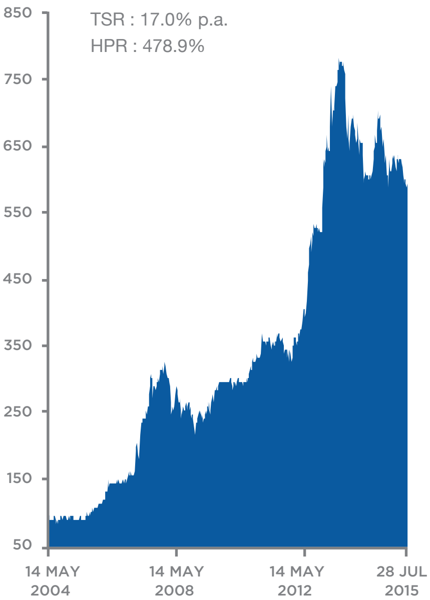
MERCU UEM

- DECEMBER 2008
- 29-STOREY OFFICE BUILDING AT KUALA LUMPUR SENTRAL
- CORPORATE HEADQUARTER OFFICE
- SUBSEQUENTLY OFFICIATED BY THE PRIME MINISTER OF MALAYSIA, YAB DATO' SRI MOHD NAJIB BIN TUN ABDUL RAZAK IN OCTOBER 2012

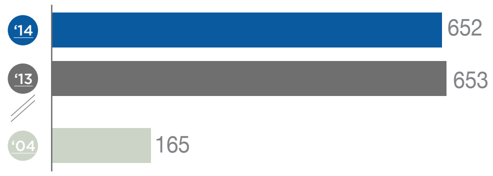
MERCU UEM

UMW

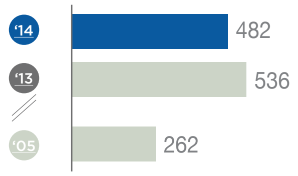
TSR INDEX



NET PROFIT
(RM Million)



ECONOMIC PROFIT
(RM Million)



HISTORICAL PERFORMANCE

	'04	'13	'14
Operating Cash Flow (RM mn)	228	1,021	1,365
Net Cash/ (debt) (RM mn)	1,026	(431)	(819)
ROE (%)	8	12	10
Net debt-to-assets (%)	N/A	35	31
Operating Margin (%)	4	9	10

	14 MAY 2004	28 JULY 2015
Market Cap (RM mn)	2,663	11,660

HEADLINE KPIs

	'13 Target	'13 Actual	'14 Target	'14 Actual
Return on Shareholder's Fund (%)	10	11.7	10	10
Dividend Pay-Out (%)	50	78.7	50	75

KEY MILESTONES (2004 - 2014)

- '04 – The former Prime Minister of Malaysia, YAB Tun Abdullah Ahmad BBSW adawi officiated Shanghai Petropipe Co., Ltd, a CNPC and UMW Joint Venture Company in Shanghai, China
- '05 – UMW Industries (1985) Sdn Bhd was awarded the prestigious President Award by Toyota Material Handling Company, Japan (TMHC) in line with its outstanding achievement for the past three consecutive years
- '06 – UMW Toyota Motor Sdn Bhd chalked up another achievement when it launched its full-scale export model of the Toyota Hiace to Thailand
- '07 – UMW Toyota Motor's luxury brand, Lexus, was launched in conjunction with the official opening of the first 3S Lexus centre in Mutiara Damansara
- '08 – UMW embarked on a brand revitalisation exercise to reflect its expansion beyond Malaysian shores
- '09 – YAB Dato' Sri Mohd Najib launched Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd, a UMW joint venture company with Baoji Petroleum Steel Pipe Co., Ltd in China
- '10 – UMW was ranked Top Five of Malaysia's Most Admired Companies by the Wall Street Journal Asia in their 2009 Asia 200 Survey
- '11 – UMW Lubricant International Sdn. Bhd. is appointed as the exclusive principal agent for Repsol-branded automotive, motorcycle industrial lubricating oil, and selected ancillary products for the Malaysia, Singapore, Brunei, Papua New Guinea, Myanmar and China markets
- '12 – UMW INSTEP DRILLING ACADEMY (UIDA) - country's first national Oil & Gas academy of its kind to supply skilled personnel for regional oil and gas industry
- '13 – Listing of UMW Oil and Gas in KLSE
- '14 – Recipient of HR Asia Award for Best Company to work for

RECENT CHALLENGES (in the last 3-5 years)

- Natural disaster - Flood in Thailand 2011. Disruption to manufacturing supply chain affected regional automobile production
- Changes in Regulatory Environment - removal of incentives on CBU hybrids cars in 2015
- Falling of Crude Oil Price in 2014 - global phenomena - affect UMW Oil and Gas business badly
- Intensify Competition in Auto Industry - market driven on ability to introduce new model by auto player

FUTURE PLANS (to 2020)

- UMWOG - Global Players for offshore drilling services - Growth strategy by acquring a base minimum of one drilling rig per year (currently 8 rigs)
- Equal contribution (50-50) to UMW Holdings PBT's between motor and non motor group. (Prevailing trend is 80% motor and 20% non motor)

Source: G20 reporting to PCG Secretariat, G20 annual reports, Bloomberg, PCG analysis

10

UMW HOLDINGS BERHAD

10-Year Achievements

NET PROFIT

295%

GROWTH (CAGR: 15%)

RM0.2bn 2004 → RM0.7bn 2014

REVENUE

139%

GROWTH (CAGR: 9%)

RM6.2bn 2004 → RM14.9bn 2014

REGIONALISATION

OPERATIONAL PRESENCE IN

14

COUNTRIES

APPENDIX C
GLCT PROGRAMME INITIATIVE KEY MILESTONES

Key activities and outputs relating to the Blue Book

Since the introduction of the Blue Book (version 2) in July 2005, many initiatives have been launched. The most prominent initiative under the Blue Book is the Performance Management Circle (PMC) where G20 Heads of Strategy and Heads of Human Resources convey to discuss on various issues that impact the performance of GLCs. The timeline below highlights the various major events under the Blue Book initiative.

KEY MILESTONES IN THE 10 YEAR JOURNEY

2005
- Launch of Blue Book version 2
- Stock-take of Implementation of Performance-Linked Compensation in GLCs published

2006
- Guidelines on Announcement of Headline KPIs and Economic Profit published
- Announcement of Headline KPIs for GLCs officially launched
- First Performance Management / Blue Book Circle (PMC) held
- 2nd PMC held

2007
- G20 met 76% of all of their Headline KPIs
- 3rd PMC held
- Value-Based Performance Management Framework published
- 4th PMC held
- 5th PMC held

2008
- G20 met 54% of all their Headline KPIs
- 6th PMC held
- Value-Based Performance Management Workshop was conducted
- 7th PMC held
- Blue Book Implementation Assessment results published
- 8th PMC held
- Introduction of Economic Profit and EVA

2009
- G20 met 64% of all of their Headline KPIs

2010
- G20 met 72% of all their Headline KPIs
- "Pumpkin Study" conducted around G20 Employee Welfare which included topics surrounding linking employee rewards to company performance levels and senior management contracts

2011
- G20 met 67% of all of their Headline KPIs

2012
- G20 met 77% of all of their Headline KPIs
- 9th PMC held
- Review of performance contracts for senior management and Blue Book guidelines to align with new legislation, notably the Minimum Retirement Age Act 2012

2013
- G20 met 65% of all their Headline KPIs
- G20 conducted a self-assessment survey on the implementation of the Blue Book with overall findings showing on average, G20 scored 76% on the level of adoption of the Blue Book initiatives while guidelines of the Blue Book still remain robust and relevant
- 10th PMC held
- Unanimous decision to transition PMC to HR Circle

2014
- G20 met 45% of all their Headline KPIs
- PCG Secretariat continued development of guidelines on share awards for G20 to use as a reference for Long Term Incentive Plan (LTIP) Implementation.

Key activities and outputs relating to the Red Book

Following the launch in 2006, the Red Book initiative has implemented various programmes and workshops focused on strengthening the procurement practices of GLCs and GLICs. The timeline below highlights the various major events under the Red Book initiative.

KEY MILESTONES IN THE 10 YEAR JOURNEY

2006
- Launch of Red Book Initiatives
- TM and TNB Red Book pilots
- 3 GLC Procurement circle meetings conducted in May, September and December

2007
- Procurement circle conducted a briefing on Red Book best practices with Ministry of Finance
- Mini workshops on procurement best practices for GLCs held by Procurement circle

2008
- Best Practices Workshop #1
- Procurement talk by Chris Jones
- Best Practices Workshop #2
- Best Practices Workshop #3
- 2 GLC Procurement circle meetings conducted in July and December
- Red Book Effectiveness Assessment Report conducted

2009
- GLC Procurement circle meetings held

2010
- GLC Procurement circle meetings held

2011
- GLC Procurement circle meeting held
- G20 met 67% of all of their Headline KPIs
- Procurement circle conducted a briefing on Red Book best practices with Iskandar Investment Berhad

2012
- The Procurement Circle launched two work streams on Procurement Enhancement and Vendor Development Programme (VDP)
- Procurement Enhancement sub-circle meeting held
- VDP sub-group circle meeting held
- Procurement Circle participated in the Bumiputera Economic Transformation workshop

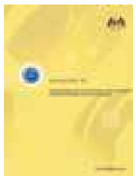
2013
- Procurement circle meeting held
- TNB conducted a VDP lab with the objective of producing more competitive and independent Bumiputera entrepreneurs
- Input to Ministry of International Trade and Industry on VDP guidelines
- Governance structure developed to transition management of Red Book to G20fraternity
- VDP sub-group circle meeting held
- Workshop on Transitioning and Procurement Value Creation held

2014
- Red Book procurement circle held
- Chief Procurement Officer (CPO) roundtable meeting held to prepare the transition of Red Book initiative to CPO circle post-GLCT Programme
- 10 GLCs signed MoU with MITI as anchor companies to implement MITI's "*Program Pembangunan Vendor*"

2015
- Input to MITI on Development Module for "Program Pembangunan Vendor"
- Procurement Circle meeting and Commodities sub-circle meeting held

Key activities and outputs relating to the Yellow Book

The Yellow Book was launched in September 2006. Since then, GLCs have made significant progress in Improving Operational Efficiency and Effectiveness. Highlighted in the timeline below are some of the key milestones achieved under the Yellow Book over the past 10 years.



KEY MILESTONES IN THE 10 YEAR JOURNEY

2006

- Launch of the Yellow Book
- Kick off workshop on the framework for continuous improvement and evaluation of best practices and case studies for G20

2007

- Conducted session on options for improving efficiency and execution framework with G20
- Conducted session on organisational effectiveness and manpower planning
- Roundtable session on enhancing customer satisfaction and making customer charters work
- Conducted session on strengthening execution capabilities among GLCs

2008

- Progress review indicated overall improvement in operating margins for G20. With non-banking G20 recording a 17.6% improvement in 2007 (up from 15.3% in 2004)
- GLIC Champions began assuming responsibility to monitor operational enhancement initiatives of GLCs

2009

- Progress review indicated overall improvement in customer satisfaction levels across G20
- Review also indicated that improvements in operational efficiency have allowed G20 firms to increase "Net Profits per Employee" by 142% on the back of a 37% increase in "Revenue per Employee"

2010

- G20 continues to stay on course and executing improvements in operational efficiency initiatives

2011

- Pan-GLC Customer Service Excellence Initiative led by Maybank and supported by PCG Secretariat to assess customer service levels at G20
- Yellow Book circle conducted innovation assessment exercise at G20

2012

- Results of innovation assessment exercise amongst G20 finalised and shared in Progress Review

2013

- Yellow Book circle renamed to Continuous Improvement Circle (CIC) and focus areas established as first steps towards transitioning post 2015

2014

- Conducted 1st and 2nd CIC sessions
- Conducted 3rd CIC session
- Conducted 4th CIC session

2015

- Continuous learning and networking under CIC to be structure of Yellow Book circle post graduation

Key activities and outputs relating to the Silver Book

Following its launch in 2006, the Silver Book initiative has implemented various programmes and workshops focused on strengthening the strategic CR capabilities of GLCs. It has developed implementation tools and methodologies and conducted periodic reviews of progress. The timeline below depicts SB's major milestones.

KEY MILESTONES IN THE 10 YEAR JOURNEY

2006

- Launch of the Silver Book introduced the G20 to the SB on *Achieving Value through Social Responsibility*
- Launch of PINTAR Programme, a school adoption programme to support high-needs schools

2007

- Collaboration with steering committee to socialise the Silver Book which detailed how G20s could develop their programmes around the seven core areas of Corporate Responsibility (CR) as listed in the Silver Book
- Silver Book fraternity conducted a Silver Book Self Assessment on the level of implementation at G20

2008

- PINTAR Foundation was established to spearhead the PINTAR school adoption programme
- Workshop entitled "Measuring Impact" was conducted to expose the Silver Book fraternity to international benchmarks and tools to measure impacts of CR programmes
- Workshop entitled "Supply chain management" was conducted with UK-based Business in The Community (BiTC) which provided insights on how to develop ethical and green supply chains

2009

- Launch of GEMs to enhance graduate employability
- Workshop entitled "Reporting Performance" conducted to train the Silver Book fraternity on global reporting standards and tools
- Launch of Yayasan Sejahtera to reduce poverty incidence through sustainable and long-term programme interventions for underserved communities

2010

- Workshop entitled "Moving towards low carbon growth" conducted in line with Malaysia's conditional commitment to reduce its carbon intensity of GDP by up to 40% by 2020. With this mandate the Silver Book fraternity convened to discuss ways to reduce their carbon footprint, conduct product life cycle analysis and measure and report on the company's environmental initiatives

2011

- A two-part workshop entitled "Engaging stakeholders effectively & building good business strategies" was conducted with the first part being a workshop on effective tools and approaches towards better stakeholder engagement and the second being practical sessions where G20 representatives were given the opportunity to conduct stakeholder engagement sessions with some of its key stakeholders

2012

- Silver Book fraternity issued the Silver Book Practice Notes as a reference for best practices, tools and methodologies in CR and sustainability
- Silver book fraternity conducted a Silver Book Self Assessment to ascertain the adoption of Silver Book guidelines across all G20s

2013

- Formation of the Corporate Sustainability Circle (CSC) to transition the SB circle from the PCG Secretariat to the GLCs. Maybank was elected Chair for 2014 to 2016

2014

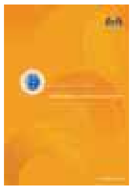
- Social Return on Investment (SROI) workshop conducted to test the SROI methodology with live case studies from the G20s and was followed by a mentoring session. The SB fraternity then applied the SROI on its key programmes to measure the impact and social returns on their investments
- Formation of the GLC Disaster Relief Network (GDRN) to serve as a platform for GLICs and GLCs to ensure a coordinated and effective approach in providing disaster relief for the nation.
- First activation of GDRN to provide relief and recovery support during the East Coats Floods in December 2014

2015

- Continued GDRN intervention efforts which included the reconstruction and rehabilitation of homes, livelihood projects and disaster preparedness programmes

Key activities and outputs relating to the Orange Book

Since the introduction of the Orange Book in December 2006, many initiatives have been launched. Some have become recurring events such as the LDC, the only Initiative circle attended by G20 CEOs as well as HR heads to discuss the current state of GLC talent. The following timeline highlights the various major events under the Orange Book initiative.



KEY MILESTONES IN THE 10 YEAR JOURNEY

2006

- Launch of the Orange Book

2007

- First LDC was held themed "Strengthening Leadership Development"

  Keynote speeches
  - BNM's experience and perspectives by Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz
  - Producing national talent pipeline by Dato' Sri Mustapa Mohamed,
  - Strengthening Leadership Development by Howard Putnam
- UEM launched a 6-week Orange Book pilot, championed by Dato' Ahmad Pardas Senin

2008

- 2nd LDC was held themed "Leadership in Crisis"

  Keynote speeches
  - The critical role and actions of the CEO leadership development by Tan Sri Hassan Merican
  - Leading a major company today by John McFarlane
- First LDA conducted and concluded that leadership gap stood at 52%
- Launch of Cross-Assignment pan-GLC exchange Programme to promote the transfer of knowledge, expertise and experience amongst participating companies
- LDA Community Workshop

2009

- 3rd LDC was held themed "Leadership in Practice with Talent Exchange Experiences"

  Keynote speeches
  - Leadership Development: Personal Observations and Views by Dato' Sri Jamaludin Ibrahim
  - Leading in a time of challenge by John McFarlane
- Launch of Cross Fertilisation government-and-GLC exchange programme to promote the transfer of knowledge between Government and participating GLCs

2010

- 4th LDC was held themed "Strengthening the Linkages Between People Strategy with Business Strategy"

  Keynote speech : Creating a Leadership Strategy by Creative Centre of Leadership
- MYWorkLife launched as talent platform dedicated to Malaysians returning from abroad and foreigners who wish to find employment in Malaysia
- High Performing Workforce (HPW) kicked off with workshops that enable GLCs to start building workforce clarity in their respective organisations

2011

- 5th LDC was held themed "Creating Leadership Strategy with People Development via Developing High Performance Workforce in view of NEM"

  Keynote speech : Human Capital Challenges for GLCs in the context of GTP and ETP by YB Senator Datuk Seri Idris Jala
- 2nd LDA conducted for the review year of 2010 and concluded that leadership gap stood at 54%

2012

- Conducted LDA #3 and concluded that leadership gap stood at 42%

  Keynote speeches
  - Building Entrepreneurial Leadership – An Entrepreneur's Perspective' by Tan Sri Wan Azmi Wan Hamzah
  - Gearing up towards the National Transformation Agenda by Tan Sri Nor Mohamed Yakcop
- 6th LDC was held themed "Leadership Development In Context of NEM: GLCs as Leadership Factory for the Nation"
- UEM assumes role of chair for the G20 HR Circle

2013

- 7th LDC held was held themed "Gearing up for Graduation: Building Leaders at all Levels"

  Keynote speech : Building Leaders at All Levels by Tan Sri Zarinah Anwar
- Transition of HR Circle from PCG Secretariat to G20 HR fraternity
- Merging of Orange Book and Blue Book Circles under the G20 HR fraternity
- Launch of PR1ME[1] UMS

2014

- Full implementation of MW Policy and compliance with Minimum Retirement Age (MRA) Act

  Keynote speech : Leadership in Graduating to Higher Class by Rajeev Peshawaria,
- 8th LDC was held themed "Preparing GLC for Graduation: Leadership in Graduating to Higher Class"
- Maybank assumes role of chair for the G20 HR Circle

2015

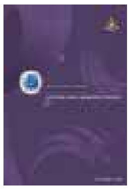
- 4th LDA conducted for the review year of 2014 and concluded that leadership gap stood at 14%

  Keynote speech : Leadership In Building & Sustaining A High Performance Organization by Professor Margaret Cording
- 9th LDC was held themed "A High Performing Workforce to Sustain Post-graduation GLCs"
- HR Circle transitioning to TalentCorp

Note:
[1]PR1ME aims to give non-executive staff professional development opportunities within their organisations in efforts to upskill non-executives and support their career progression.

Key activities and outputs relating to the Purple Book

The following captures some of the key highlights and milestones achieved with respect to enhancing capital management practices, following the launch of the Purple Book in December 2006.



KEY MILESTONES IN THE 10 YEAR JOURNEY

2006

- Launch of the Purple Book initiative: Optimising Capital Management Practices

2007

- First Subject Matter Expert meeting held which comprised of representatives from Bina Fikir, Ernst & Young, Khazanah, McKinsey, MAHB, MAS, TNB, Sime Darby and UEM
- Scoping of the Investor Relations Initiative and an assessment of the overall implementation of Purple Book initiative amongst G20 were conducted

2008

- Net dividends yields of the G20 increased from an average of 2.7% in 2004 to 5.1% in 2007
- 73% of the 15 non-bank G20 have evaluated their capital structure and capital efficiency practices
- 60% of the G20 have developed their Capital Management Plan and Capital Efficiency Improvement Initiatives

2009

- Aggregate net dividends paid out by G20 increased from RM4.9billion to RM9.5billion between FY04 and FY07 – a sign of improved cash returns to shareholders
- A number of GLCs in recognising the importance of capital management practices, paid out special dividends in the past few years

2010

- G20 TSR generated a compounded annual return of 16.2% from 14 May 2004 to 3 June 2011, out-performing non-G20 FBM KLCI by 1.8%

2011

- G20 FY11 dividends reached a new high of RM14.6billion, largely attributable to UEM Group's RM4.0billion divestment of PLUS Expressways

2012

- Purple Book Circle conducted a self-assessment survey for G20 to analyse the adoption levels for best practices under the Purple Book
- Overall G20 adoption of Purple Book stood at 75.9%

2013

- Purple Book circle convened to discuss various issues including preparations required for GST implementation, Malaysia's economic outlook and the way forward
- Purple Book circle renamed to Chief Financial Officer (CFO) circle

2014

- First, 2nd and 3rd CFO Circle conducted which centrally focused on the development of governance and operating structure for the circle along with other topics of common interests including financial industry talents, standards and new trends (e.g. regulations, business analytics, TPPA, and GST) as well as use of technology in finance or capital management-related work

2015

- CFO circle conducted to discuss post-GLCT Programme efforts; chaired by TM

Key activities and outputs relating to the White Book

Following the launch in 2006, the White Book initiative has implemented various programmes and workshops focused on strengthening the regulatory management capabilities of GLCs and GLICs. The following timeline depicts the more prominent activities under the White Book initiative.

KEY MILESTONES IN THE 10 YEAR JOURNEY

2006

- Inception of the White initiative – to enhance regulatory capabilities at GLCs and consequently improve the regulatory environment in Malaysia
- Workshops conducted on regulatory strategy and regulatory management for GLCs

2007

- Various workshops conducted with GLCs on regulatory communication, issues pertaining to regulation and an overview of the Malaysian regulatory environment
- A stakeholders orientation was conducted to introduce the white book and subsequently efforts to improve the regulatory management for GLCs
- Roundtable discussion involving GLCs was conducted that focused on the topic of enhancing the regulatory structure in Malaysia

2008

- Malaysian Centre of Regulatory Studies (UMCORS), Universiti Malaya was established with the aim of becoming a focal point for multi-disciplinary research and study in the intersections between law, business and economics
- Official launch and publication of the White Book – Creating value through regulatory management
- First White Book Circle meeting held

2009

- 2nd White Book circle meeting held

2010

- 3rd White Book circle meeting held

2011

- 4th White Book circle meeting held

2012

- 5th White Book circle meeting shared inputs on "Free Trade Agreements and Its Impact to the Private Sector" and "Managing International Investment Conflicts"
- A survey to assess the level of adoption of the White Book among G20 was conducted by the White Book Circle

2013

- 6th White Book circle meeting held which discussed on the self-assessment findings and transition plans post-GLCT Programme
- White Book circle renamed as Regulatory Management Circle

2014

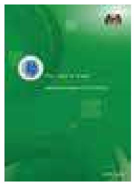
- First Regulatory Management Circle conducted with the theme of "Achieving breakthroughs with local and foreign regulators"
- 2nd Regulatory Management Circle conducted with the theme of "Approaches to compliance"
- TNB voted as chair for Regulatory Management Circle for 2014 to 2015

2015

- 3rd Regulatory Management Circle conducted with the theme "

Key activities and outputs relating to the Green Book and MINDA

Since the inception of the Green Book and subsequently the Malaysian Directors Academy (MINDA), many notable achievements and events have been carried out with the more prominent ones captured in timeline below.



MINDA
MALAYSIAN DIRECTORS ACADEMY

KEY MILESTONES IN THE 10 YEAR JOURNEY

2006

- Green Book and MINDA were launched
- G20 carried out Board Effectiveness Assessments
- Actionable improvement programmes developed to address weaknesses identified by Board Effectiveness Assessments

2007

- 83% of G20 have completed their Board Effectiveness Assessment and 67% have developed their Actionable Improvement Programmes
- Launch of the "Chairman's Forum" and "Building High Performance Directors" Programme, part of the Premier Programmes developed by MINDA

2008

- Stocktake revealed positive changes in Board and Chairman composition as well as increased adoption of the Green Book and Board Effectiveness Assessment
- Incorporation of Green Book's best practices into MINDA's curriculum
- MINDA's first CEO Roundtable, featuring Carlos Ghosn as a prominent guest speaker

2009

- MINDA conducts its Awareness and Networking Event which saw a total of 26 GLC Board Members, 8 GLC Chairmen and 24 GLC Company Secretaries participants
- Launch of MINDA's first "Director's Forum" which focused on the Board's roles in response to turbulent times in the areas of leadership, finance and risk management

2010

- MINDA hosted a Breakfast Talk with Professor Dr. Doran Hunter and Dr. Stephan Young on moral foundation for good governance
- MINDA and Khazanah Nasional Berhad co-hosted CEO roundtable chaired by guest speaker Dr. Montek Singh Ahluwalia with the session entitled "A Rising India and South East Asia – Cooperation and Competition"

2011

- MINDA hosted a Luncheon Talk with Dr. Stephen B Young entitled "It's people who create value, not money" which was attended by 40 prominent CEOs, Directors and representatives of various GLCs
- MINDA, General Electric and TalentCorp jointly hosted a Breakfast Forum themed "21st Century Corporation: Driving Sustainable Leadership & Innovation"

2012

- Launch of MINDA's Women Directors On-Boarding Training Programme designed to prepare potential and qualified women to fully understand their roles as board directors
- MINDA and the Asian Strategy & Leadership Institute jointly held the International Directors Summit to address the challenges faced by Company Directors in balancing risks and rewards, entrepreneurship and control, and growth and profitability for their organisations

2013

- MINDA organised the Family Business Programme for the very first time entitled "Succession Across Generations" to help family-owned companies develop valuable leadership skills
- MINDA organised its first Corporate Directors Advance Programme entitled "Financial Language in the Boardroom" to provide a learning platform for Corporate Directors who have limited financial knowledge

2014

- MINDA organised its second Corporate Directors Advanced Programme entitled "Strategy and Risk: Managing Uncertainty" which provided Company Directors the necessary knowledge and skills to make informed decisions related to a company's strategy and risk oversight

2015

- MINDA launches its first Power Talk entitled "Executing Your Growth Strategy with Certainty" with Anand Sharma as the guest speaker
- MINDA and the Razak School of Government jointly held the International Directors Summit 2015 to address the innovation challenges facing businesses and governments today

GLC employees townhall with YAB Prime Minster Dato' Sri Mohd Najib Tun Hj. Abdul Razak in 2012

APPENDIX D

Landmark Speeches and Announcements on the GLCT Programme

Tan Sri Nor Mohamed Yakcop
Deputy Chairman of Khazanah Nasional Berhad
Speech at the Promuda Dialogues
20 February 2002

REMAKING OF MALAYSIA INC.: CHALLENGES AND PROSPECTS

The topic Remaking Malaysia Inc. - Challenges and Prospects is indeed a very timely one. The Government, of course, remains fully committed to continue using a blend of market and State-led initiatives that has always been the basis for the Malaysia Inc. concept that was introduced in 1983. This concept, which is the brainchild of Dato' Seri Dr. Mahathir Mohamad, views Malaysia as a partnership of the public sector and the private sector, working hand-in-hand to increase national productivity, to improve service levels, and to raise financial performance. In such a partnership, success in one sector reaffirms the other and, overtime, strengthens the overall dynamism of the whole. A major thrust of this strategy involved the privatization of some aspects of the public sector that, at that time, was mired in low efficiency levels, in addition to costing the Government considerable financial burden. Over time, both Malaysia Inc. and the Privatization Policy became part of the building blocks of Vision 2020, as a means of attaining the overall aim of growth with equity and the development of Malaysia into a strong, sovereign State with a target of achieving developed nation status by 2020.

We are blessed with a visionary plan, and by and large, there has been, in spite of some hiccups, tremendous success overall. Over the last forty-five years since Merdeka, the formula of blending State and market initiatives has given us one of the best development records anywhere in the world by whatever measure - in the eradication of poverty, in providing for basic needs such as health, nutrition, education and basic infrastructure, and in economic growth. We have today a well-diversified economy that is very well-positioned to meet the challenges of the 21st century.

We are blessed with a visionary plan, and by and large, there has been, in spite of some hiccups, tremendous success overall

The rising income level over the years has created a large middle class and cemented social stability that fed back into even more economic growth. This was a virtuous cycle. In Malaysia we have successfully created a system that has given us the best possibility for upward mobility of the masses. This is one of the messages that you may want to take home with you - if you have the talent and the capacity for work hard, then this country continues to provide you various avenues to rise to the top. Our history, over the last 45 years, is blessed with so many examples of people, from all races in all fields, climbing to the top, in spite of many odds. The Government has always been mindful of the need to engineer socio-economic change against a backdrop of stability. While we believe in renewal, we have to be careful not to subscribe simplistically to dogmatic market notions, such as Joseph Schumpeter's 'gales of creative destruction'. This is the second message I would like to propose for you to consider - that, just as States are not absolutely perfect, markets are never completely perfect too, whatever the economics textbooks may say. Recent history is littered with numerous examples of market failures, from the herd panic of portfolio investors during the Asian crisis, to LTCM and more recently to Enron. Again, we are thankful that Malaysia is in a relatively strong position to be able to take measures that, although seen by dogmatic free- marketers as unorthodox, yet has worked very well for us, whether its exchange controls or corporate restructuring and reforms on the basis of our own national agenda.

Among the weaknesses of the previous model was an over-reliance on a number of owner-entrepreneurs

Remaking Malaysia Inc.: A New Business Model

This brings us to the topic for today - Remaking Malaysia Inc. We have often heard of technical know-how and even technical know-who, but, perhaps, even more important is the technical know-why. We must ask the question - why is there a need to remake Malaysia Inc.? The short and obvious answer is that, in the context of the fast-changing external and internal environment, we cannot afford to be complacent. We have to keep adjusting to the shocks of changing circumstances. We either keep moving forward or we start decaying. We find that among the weaknesses of the previous model was an over-reliance on a number of owner-entrepreneurs. While we often gained from their risk-taking dynamism, there was also often a shortage of controls, good governance and risk management and asset-liability management.

Hence, at this stage, of remaking and recovery of our corporate sector, our preference is for institutionalizing ownership and professionalizing management, with a view to providing greater controls, checks and balance and to improve risk management. Within these aims, initiatives to improve corporate governance, transparency of decisions, diversification of sources of financing and better regulation on the part of the Government are all part of the overall package to raise the performance of our corporate sector. However in remaking Malaysia Inc., we should recognize the wisdom of the old Malay proverb which says *"Jangan kerana nyamok seekor, kelambu di bakar"* which is equivalent to the English proverb *"Do not throw the baby out with the bath water."*

While we are committed to learn from previous mistakes, we must be careful that, in our eagerness, we do not over-compensate. We recognize that the old model, based on privatization and owner-entrepreneurs had its excesses especially towards the latter stages, but we must also realize that it also had many successes, among them the building of a first-class physical infrastructure and the emergence of a cadre of capable professionals, who can now compete internationally. In addition to building first-world facilities at home, Malaysians, including Bumiputra, are now successfully exporting their experience and expertise in building and maintaining roads, bridges and power plants. This would not have happened had we not empowered them. It is also worth repeating that, whatever model we choose the same overall developmental aim of growth and development with equity remains.

Fourth, the next phase of development would be done in a global environment that is likely to be far less friendly to developing countries than the one faced after the Second World War

Challenges

It goes without saying that there are many challenges. The first would be the need to balance these controls with the entrepreneurship culture, i.e. balance the "animal drives" with good governance. It is not our intention that these additional controls become a shackle that will dampen risk-taking. Our objective is to ensure that the controls assist in optimizing risk-reward structures. Our intention is to reinforce the board of directors with more professional representation, and, at the same time, empower the new chief executives with full authority on operational matters and to have a very strong influence on strategic issues. We also need, in due course, to institute share option schemes for the senior management of these companies to align their interests with that of the shareholders.

Second, there is a need to balance financial profitability objective with socio-economic objective or what has been known as 'national service' in the past. Both these objectives are valid, but the key is to place each objective into appropriate vehicles. The ongoing MAS restructuring, for example, reflects our thinking on this issue. In the restructuring of MAS, the higher-growth, market- driven international passenger and cargo businesses are placed in a market vehicle that is the listed company, while the domestic passenger business, where there is a strong element of socio-economic objective, such as the promotion of national integration, is placed within the federal budget. The net effect to the Government is likely to be value creating, as the value in listed companies are created at several multiples of the savings or profits, unlike the expenditure in the federal budget.

Third, the issue of the adequacy of human capital - in professional management, in civil service and in Government regulation - is also a crucial one. While we have improved leaps and bounds over the last forty- five years, we know there is always a shortage of high-quality talent, especially in this world today, where the competition for human capital is a borderless one. Continued investments in education and training, of course, form part of our longer-term strategy, but there is, I believe another more important aspect, namely the issue of ethical standards. This is another message for you - we want the next breed of corporate leaders to be not just technically competent and hard-working, but also to be of the highest ethical make-up. With these qualities the new breed of professional leaders will be able to impose self-discipline and self-regulation on themselves. I believe that self-regulation is perhaps the best form of control. I will discuss the importance of ethics and moral conduct in the remaking of Malaysia Inc. in the latter part of this paper.

Fourth, the next phase of development would be done in a global environment that is likely to be far less friendly to developing countries than the one faced after the Second World War, when competition between the two superpowers, during the Cold War, ensured that the US and the West were far more tolerant towards the kind of strategic mercantilism (i.e. import-protectionism with aggressive export-promotion) that underpinned the rise of Japan, Korea and the rest of East Asia. In today's unipolar world, the so-called neo-liberal order is the dominant one, with its agenda of a trading and capital flow architecture that favours large trans-national corporations (TNCs) and capital providers from the developed countries. We see current WTO initiatives including TRIPs (Trade-Related Intellectual Property) and TRIMs (Trade Related Investment Management) provisions and the current international financial institutions, such as the IMF, very much favouring developed countries' TNCs, creditors and investors. Together with China's economic take-off, we therefore need to think carefully and find the right niche and role for our national champions. Where do our Maybanks, Protons, MAS and Sime Darbys fit in? We need to remember that the consideration for inclusion and viability is not just purely economic. There is also the issue of 'national sovereignty and infant industry development' here.

It is often forgotten that during the Second Industrial Revolution from around the 1870s to 1914, the United States developed its infant industries under the most protectionist barriers from the then economic superpower Great Britain. Later, Germany did the same. Thus, while we want our national champions to be as selfreliant as possible, it is important to see the big picture that, in the volatile and even hostile international marketplace, they should also expect some assistance from the State, although this help must be based on some form of merit criteria.

A fifth challenge is the issue of strengthening of our economic institutions to regulate markets and to keep pace with developments in the private sector. Professionalism, hard work, technical competency and the highest ethical standards are also features that must apply to Bank Negara, the Securities Commission, the KLSE, the civil service, sector regulators, the crisis management agencies (NEAC, Danaharta, Danamodal and CDRC) and public trust investment institutions - PNB, EPF, Tabung Haji, etc. There is already a core wealth of resources and efficiency here, but in the context of remaking Malaysia Inc., there is always room for improvement. There are, of course, many other challenges, but let me just list one more crucial issue going forward. The Bumiputera business community needs to be rebuilt in the post-Asian crisis period, and, over time, close the gap with non-Bumiputera in a manner that does not impinge on the ability and rights of non-Bumiputera to perform and achieve. In the long-run, the socio-economic health and balance of the country must necessarily come with the genuine and meaningful participation of Bumiputera in all aspects of corporate life. The challenge is to do this without lowering the bar.

Importance Of Ethics And Moral Conduct

I believe that the issue of ethics is very important to the remaking of Malaysia Inc. If we look at history, we find that the success of nations and civilizations have been closely linked to ethics and moral values. Ethics and moral codes are important for the smooth running of society because they govern the relationships between each entity: man to man, corporation to corporation, government to man, and so on.

In general, ethical values have been designed to ensure that there is harmony between entities in a society - that each relationship provides a win-win situation. Common ethical values also ensure that each entity or person in the society operates along the same rules of moral values. And when everyone plays by the same set of rules and assumptions, everything gets done much faster and more equitably.

In a sense, the code of ethics and moral values of a society is like its operating system. In a computer, if one of the components is non-compliant to the machine's operating system, not only does it create problems for that component, but the whole computer

The police and legal system should, ideally, only serve as a reminder that we live in an ordered and ethical society

Be prepared to work very, very hard. Genius, as Thomas Edison said, is 1 percent inspiration and 99 percent perspiration.

system may not perform adequately, or may breakdown. To use another analogy, that of the horse and rider: ethics or morality is like the rider who guides and rides the horse. Without a rider, a horse will run aimlessly without purpose, never reaching any destination. Hard work without morality may ensure some progress, but we may not reach the desired destination quickly and easily.

On the other hand, ethics or morality, without hard work, is like having a rider without a horse. Without a vehicle, the rider will be unable to get to his distant destination. In the context of remaking Malaysia Inc., how do we ensure that ethics and good conduct are practiced in daily business operations and corporate decisions? In general, ethics can either be imposed from the top or be self-initiated. Interestingly enough, the practice of ethics is related to the level of religious belief. As an example, when we have a Communist based society, which is by definition atheistic, the regulation of morality and ethics has to be imposed by the Government and is not self-initiated through religious beliefs and practices. In an open and democratic society such as ours, we still have some measure of external enforcement through the police and the legal system. But it is impossible for the Government to catch every crook and regulate all things. Ideally, the police and legal systems are there only to catch the occasional aberrations in society and not to police society at large. The police and legal system should, ideally, only serve as a reminder that we live in an ordered and ethical society. The greater the effort needed by the Government to regulate ethical conduct, the less resources, in both time and money, it has to spend on developmental aspects.

Malaysia Inc. is, at heart, teamwork. If the Government spends all its time and resources trying to discipline its employees, citizens and corporations, it can no longer be described as a teamwork, but would be more in the nature of an adversarial relationship. However, if all parties agree on common moral and ethical issues and act on them, everyone can focus on his own particular area of activity to take Malaysia to greater heights. It is very much like a football team, where each player on the team knows his role and what he is expected to do, rather than the players telling each other what to do and guessing what his other team members may be doing.

In the remaking of Malaysia Inc., good ethics and moral values will need to drive and guide hard-work to achieve what we have set out to achieve. If ethics is going to be an important aspect in the remaking of Malaysia Inc., Islam, as the official religion, must lend a powerful hand in this endeavor. And when we speak of Islam, we do not mean the fanatical and bigoted views practiced by some groups today, but we speak of Islam as it truly is. This is the Islam that in history enabled the world to flourish; the Islam of Moorish Spain that brought the Renaissance to Europe. It is the Islam during the Crusades, where Christians and Jews of Jerusalem preferred to live under Muslim rule, which was more just and equitable. And it is the Islam of the Malaccan Empire, where trade flourished in a cosmopolitan environment, making Malacca one of the largest confluences of people and goods in the region, if not the world.

An important aspect of Islam is that it is a way of life to be practiced by each individual. During the time of the Holy Prophet, and subsequent Caliphates, there was little need for a police force. Members of society regulated themselves and each other. The key success factor in the Battle of Badr was that the Muslims were arranged as an ordered army with a central command, defined strategy, and were highly disciplined. The Arabs were previously more used to a style of individual combat and valour, fighting as hordes rather than as an ordered military. This key factor of self-regulation and being united under a central purpose was the secret behind the success of the early Muslims. During the Renaissance, Europe left its dark ages of savagery and ignorance by borrowing much of the ethical values and work methods of the Muslims, and in addition, built on the knowledge uncovered by the Muslim scientists then.

The success of the Malaccan Empire sprung from a Palembang Prince who converted to Islam. And with Islam as its moral backbone, the Malaccan Empire grew from a sleepy kampung to be among the most successful trading empires in the world. If Malaysian Muslims can revive the high moral principles and ethical standards as practiced by our successful forbearers, we may indeed begin to match their achievements.

In the remaking of Malaysia Inc., it will not be Islam itself as a slogan, but the practice of good ethical values, and in particular of Islamic values and ethical standards, that will bring success, not just to Malaysian Muslims, but to all Malaysians.

Prospects

As for prospects, going forward, the role of young professionals is very important. The young professionals of this country are living in a particularly exciting time in our economic history. The young professionals have, at present, abundant opportunities to progress. As you know, we are not ageist in this regard - if you are good enough, you are old enough, and by the same token, for the older ones, if you are good enough, you are young enough.The recent Asian Crisis has given us an opportunity to redraw the corporate landscape and accelerate reforms. We have consolidated the banking industry. Key companies such as UEM-Renong and MRCB have been professionalized, while MAS' restructuring is a radical plan that leverages on the relative advantages of the State and the private sector. Where key companies need rescuing, there may be a need for a re-nationalization phase, but this is not intended to be static. For now, we are using the relative competitive advantage of the State in using its many resources - cheaper funding, long-term orientation and capital market support; but in the long-run, we recognize that the Government may not be the best owner of businesses.

For many companies, the model of institutional ownership and professional management would continue to apply. For others, we can envisage that some re-privatization may well occur if there are competent and deserving entrepreneurs. However, in such cases, the Government would insist on professional management and would also need to be vigilant against any future contingent liabilities for the State. Overall, we hope these initiatives of better controls, good corporate governance and more professional corporate work ethics would ultimately result in more competitive Malaysian companies, supported by an effective and efficient civil service, in line with the Malaysia Inc. vision. For you, the professional youth of Malaysia, there is every reason to be optimistic. My final message to you is to be prepared and remember the following : -The most important part of your worth is your ethical core.

Your integrity is the basis of your professionalism; You must continuously build your technical competence and ingrain a culture of excellence. In so doing, you must always be aware that you are working in an international and global environment and should build yourselves up to international standards. Therefore, you need to bench-mark yourselves against international standards and best practices; and be prepared to work very, very hard. Genius, as Thomas Edison said, is 1 percent inspiration and 99 percent perspiration.

Keynote address by
YAB Tun Abdullah Ahmad Badawi
Prime Minister of Malaysia
At the seminar on - Culture of High Performance for GLCs
14 May 2004
Theatrette, Ministry of Finance, Putrajaya

CULTURE OF HIGH PERFORMANCE FOR GLCs

Assalamualaikum Warahmatullahi Wabarakatuh Dan Salam Sejahtera

YB Tan Sri Nor Mohamed Yakcop
Menteri Kewangan Kedua

YB Datuk Mustapa Mohamed
Menteri di Jabatan Perdana Menteri

Ahli-ahli yang berhormat
Para pengerusi, pengarah urusan dan ketua pegawai eksekutif syarikat

Dif-dif jemputan

Saudara-saudari yang saya hormati sekelian

Thus, against this backdrop of 21st century challenges and opportunities, we clearly see the imperative for decisive action towards improving the competitiveness of our companies and sustaining our nation's growth

1. Alhamdulillah, saya bersyukur kehadrat Allah S.W.T kerana dengan limpah dan kurnianya dapat kita sama-sama hadir di pertemuan yang penting dan bermakna ini. Saya berbesar hati melihat begitu ramai tokoh-tokoh korporat di sini. Saya ingin mengucapkan terima kasih kepada saudara-saudari yang telah dapat meluangkan masa dari jadual kerja masing-masing (yang tentunya sibuk) untuk hadir pada pagi ini. Sesungguhnya, majlis pada hari ini merupakan salah satu program kementerian kewangan yang paling penting bagi tahun ini, dan mungkin juga untuk tahun-tahun yang akan datang. Pertemuan kita di sini mungkin menyaksikan permulaan satu fasa baru dalam sejarah pembangunan negara dan sektor swasta.

Ladies and gentlemen

2. We gather here today to take a determined step, to see through a concerted effort, towards making Malaysia a more competitive and developed nation. As leaders of and participants in the nation's development, we are acutely aware of the challenges we face from an increasingly demanding global economy. The international flow of funds, goods and services means that no company is shielded from the forces of competition. At the same time, it also means that no company is confined to its national borders in seeking opportunities. Thus, against this backdrop of 21st century challenges and opportunities, we clearly see the imperative for decisive action towards improving the competitiveness of our companies and sustaining our nation's growth.

3. This decisive action requires nothing less than a remaking of Malaysia incorporated. The concept of close partnership between government and business still forms the

foundation of Malaysia Inc., but it is imperative that we shift the basis of this partnership to that of tangible achievement and performance. On the part of government, this means enhancing the public service delivery system. On the part of business, this means improving company performance and enhancing shareholder value.

4. Nowhere is this more relevant than in Government-Linked Companies, or GLC's. Improving the performance of GLC's is simply one of the most significant steps we can take towards achieving our vision for competitiveness and prosperity. In terms of revenue and asset base, GLC's account for a substantial component of the Malaysian economy. For example, the 40 public-listed GLC's present here, that comprises only 5% of the number of companies on Bursa Saham Malaysia, together make up 34% of the total market capitalisation of the Bursa. That adds up to an enormous 232 billion ringgit in market value, more than half of Malaysia's GDP. Thus, any considerable improvement in the efficiency and performance of GLC's would bring about massive benefits, not only to the stock exchange, but also to the income, consumption and wealth of the nation.

I believe that we must move away from limiting ourselves or blaming our circumstances, and start pushing ourselves to achieve more

5. GLC's also make up the backbone of the country's economy. Through the provision of 'mission-critical services' such as transportation, energy, telecommunications and financial services, GLC's serve a pivotal role in the operation of every commercial concern in Malaysia. These same vital services also contribute significantly towards improving the quality of life for ordinary Malaysians. Hence, improving the performance of GLC's would also have a far-reaching effect on the performance of the economic sector as a whole, as well as the well-being of all Malaysians.

6. Nevertheless, GLC's are not just anchors for the stock market or inputs to the Malaysian domestic economy. With its experience, assets and G-2-G linkages, GLC's are strategically placed to take advantage of cross-border opportunities. With the right focus and effort, GLC's can be global players in their own fields, capable of exporting and branding their products, services and expertise in the spirit of making Malaysia a 'true trading nation'. In short, GLC's are not only stewards of the nation's wealth, they can also be trailblazers on the world economic stage.

7. Some GLC's have shown that they are up to the challenge. Petronas is a stellar example. It currently operates in over 30 countries and remains Malaysia's only contribution to the global fortune 500 list of world's largest corporations. Petronas is the pride of Malaysia and evidence of what we can achieve if we put our hearts and minds into continuously enhancing our performance.

8. However, many other GLC's appear to fall short, both in terms of quality of their goods and services, as well as in their financial performance. As an indication, we find that the total return to shareholders of public listed GLC's actually trails behind overall market performance by 21% over the last five years. This is a significant loss for the shareholders and for the nation. Several reasons have been given for this underperformance, including 'social or national policy obligations'. Yet, companies such as Petronas appear to be thriving under the same conditions. I am sure that some of the reasons may have some

I have long advocated the importance of the right culture, values, attitudes and mind-set for the nation, as well as the critical role of people in all spheres

justification, but i believe that we must move away from limiting ourselves or blaming our circumstances, and start pushing ourselves to achieve more.

Ladies and gentlemen

9. For all the reasons that i mentioned, it is therefore urgent that we put all our GLC's firmly on the path to greater performance. Earlier, I had said that we must take decisive action on this issue. Essentially this means systematically instilling a high performance culture within GLC's, by making people in the companies more accountable for, and more rewarded by, company performance.

10. I have long advocated the importance of the right culture, values, attitudes and mind-set for the nation, as well as the critical role of people in all spheres. Machines and technology are but tools; ultimately, it is human ability, talent and commitment that drive performance and change. In a knowledge-driven world, a company's human resources is the source of its competitive advantage. However, we cannot hope to get the most from people, whether ourselves or others, if people are not accountable for, and not motivated by, good performance. Therefore, we need to make performance measurable and performance needs to be tied to a system of rewards and penalties (not unlike a simple carrot and stick approach). In this case, we must be able to evaluate people's performance objectively as well as reward them according to the level of their contribution.

11. In line with this, during a special announcement of measures to boost the Malaysian capital market made in March last year, I mentioned that Key Performance Indicators (or KPI's) would be implemented in GLC's to enhance their value and performance. In January this year, i reiterated my stand in a speech to the national economic action council, where i announced the
Intention to implement and monitor KPI's for GLC's in the immediate term. Throughout this intervening period, two pilot projects on KPI implementation have been running in Malaysia airlines and Malaysia airports, respectively. These pilot projects have gone well, and a taskforce headed by the second finance minister have distilled the learnings into a booklet of 13 Guidelines. These guidelines, as well as the seminar today, should form a strong basis from which we take the next step, namely to implement performance linked compensation in all GLC's.

12. I am sure that most if not all of the GLC's are already familiar with the rationale of designing and monitoring key performance indicators. Nevertheless, the difficulty often faced is in implementing the system effectively. For instance, performance evaluations in GLC's are often inflated and without differentiation, where 90% or so of employees are summarily rated as "good" or "very good" performers. Bonuses paid out may not be based on performance. For these reasons and more, an implementation steering committee has been set up, headed by the second finance minister, to monitor KPI implementation in GLC's. This steering committee will meet once a month to track progress and to resolve any issues that may arise. I would like to emphasise here that the setting up and heavy work of this steering committee indicates the government's seriousness to see through these changes. It is vital that

we move away from the culture of the iron rice bowl and of promotion by seniority towards a culture which recognises and promotes performance.

13. Proper implementation entails not only the design and allocation of KPI's; it also involves the linking of KPI performance to pay and tenure. In line with this, the government will put in place a higher variable element for senior management compensation, involving bonuses and stock options, linked to the achievement of targets in their KPI's. We will also ensure that all members of senior management at GLC's be employed on contract basis for a fixed term, with renewal dependent on the achievement of their targets. Ultimately, we want to create a new generation of corporate stewards for the new Malaysia incorporated: professional managers with a strong focus on high performance and superior value creation.

14. At the same time, the principles of performance linked compensation should be substantially applied to all levels of the organisation, where it will become the basis for bonus, promotion and tenure. The sense of accountability and ownership needs to be ingrained throughout the organisation so that a culture of performance can prevail. To further strengthen the performance culture, there will also need to be greater alignment in compensation between GLC's and the market. Human resource costs make up a relatively small 10-15% of total costs in GLC's, but the cost of human error, lack of motivation and attrition could well be much larger. We may need to review the compensation structures within GLC's so that we can attract and retain the best management talent and the most promising employees.

Ladies and gentlemen

15. Senior management of GLC's will play a large role in spearheading efforts to instil a high performance culture within their respective organisations. The process is a difficult and challenging one, requiring commitment and persistence. There are no short-cuts to this process. Nonetheless, we should not forget the significant role to be played by the Boards of Directors of the GLC's. As protector of shareholder interest and the 'strategic architect' of the company, the board must necessarily be passionate and vigilant about performance. This means setting achievable but challenging targets for senior management, based on appropriate global benchmarks. This also means contributing meaningfully, in a way that empowers the management to perform and deliver results.

16. The government is very much aware of the need to reap the synergies from a talented board and a capable management. Henceforth, boards at GLC's will be made smaller (to 10 or less members) to enhance their focus and effectiveness. In addition, the government will strive to appoint more professional directors with the experience and knowledge to contribute to and safeguard shareholder interests. Increasingly, the government's interest in GLC's will be represented by directors chosen from a pool of professionals, distinguished ex-civil servants, specialists and other knowledgeable Malaysians who have distinguished themselves in their respective fields.

17. In the interests of professionalism and propriety, the government will ensure that government representatives who are also regulators no longer act as directors

Senior management of GLC's will play a large role in spearheading efforts to instil a high performance culture within their respective organisations. The process is a difficult and challenging one, requiring commitment and persistence

As major shareholders of GLC's, the government will continue to focus on maximising the investment value for the government of Malaysia and to provide support

at companies which they regulate. We aim to remove any possible conflicts of interest in the running of GLC's, given that legally directors should only act in the shareholders' interest. Of course, consultation between regulators, policymakers, the boards and management of GLC's will be necessary in order to smoothen the flow of work, but the aforementioned changes should be undertaken in order to strengthen the performance factor of Malaysia incorporated.

18. As major shareholders of GLC's, the government will continue to focus on maximising the investment value for the government of Malaysia and to provide support. For example, the government can capitalise on its linkages to assist GLC's in identifying or forming investment partnerships, particularly with foreign GLC's and technology partners. In general though, the Government believes in empowering the directors and management of GLC's to carry out their professional duties. Thus, for its part, the Government will strive to put in the required supporting structures and give the needed flexibility for directors and managers to perform and deliver.

Ladies and gentlemen

19. I have expounded upon several principles of performance management and board professionalism at some length. Some of these principles will put into immediate practice, starting with the implementation of KPI's at GLC's.. As another example of putting principles into practice, i would like to announce a few changes to be made to the structure and operations of one of the Government's premier investment vehicles, Khazanah Nasional.

20. The government would like to see Khazanah emerge as one of the biggest and most dynamic investment houses in the region. In line with this, the board of Khazanah will be restructured and reduced in number. New professional management will be injected into the senior ranks of Khazanah.

In the spirit of rationalisation, there will be a transfer of public-listed company shares belonging to MOF Inc. To Khazanah nasional to consolidate some of the government's holdings and to reap the benefits from Khazanah's new management and Board of Directors. Together with the implementation of KPI's, I believe that these changes will see Khazanah emerge stronger, more nimble and able to create more value for the government. I also expect to see similar changes to other GLC's and holding companies very soon.

Ladies and gentlemen

21. Beyond implementation of KPI's, there should also be a more comprehensive framework for corporate governance in the country to enhance private sector performance. The enforcement of corporate governance standards and associated laws needs to be stepped up and improved. We cannot afford to merely have the best laws in place, and yet fall short in terms of implementation and enforcement of those laws.

22. The enforcement of corporate governance currently depends on the police, the companies commission and the securities commission each playing their respective roles effectively. Due to the nature of investigation for commercial crime or misconduct (which spans securities law, companies law and criminal law), there is much need to improve the coordination and cooperation between the said three parties, whose jurisdictions differ. Therefore, in the interim, a high level corporate governance committee will be set up, headed by the chairman of the securities commission, with the Chairman of the companies commission, the director of the commercial crimes division of the police and the deputy CEO. of the S.C. as members. This committee will provide regular progress reports to me regarding corporate investigations, particularly those that are overdue for some reason or other. The committee will also coordinate all investigations, so that no misconduct falls through the cracks and that investigations can be conducted more promptly.

23. Going forward, more long-term mechanisms will need to be put in place to ensure smooth enforcement of corporate governance standards and laws. In this regard, the corporate law reform committee, recently established by the companies commission, will play a significant role. This committee is well placed to study and propose necessary changes to the allocation of responsibilities between the three enforcement agencies to minimise duplication and ensure greater effectiveness.

24. The regulatory framework for GLC's and other companies should also cover the monitoring of service quality. We must ensure that these companies adhere to acceptable standards of service, especially in the case of natural monopolies. For that reason, the capacity of regulators of essential services such as electricity, telecommunications and water must keep up with the growth of these industries in order for regulation to be effective.

Ladies and gentlemen

25. As we continue to progress towards Vision 2020, we must embrace performance and make it a defining feature of our culture. In an increasingly open and challenging world, only consistent performance and the ability to innovate will bring success. Indeed, living and breathing performance/excellence is a challenging process in its own right, but I strongly believe that we – be it the Government, Government-Linked Companies, private sector firms or the people of Malaysia – are up to the challenge.

As we continue to progress towards Vision 2020, we must embrace performance and make it a defining feature of our culture. In an increasingly open and challenging world, only consistent performance and the ability to innovate will bring success

26. As the backbone and major contributor to the economy, GLC's must lead the charge. I therefore call upon all GLC's to commence work immediately to enable implementation of KPI's and performance-linked compensation no later than 1 January 2005. Along with improvements to board composition and the regulatory structure of corporate Malaysia, I believe that we will see a new phase in Malaysia's economic development. This expectation fills me with great resolve to see Malaysian GLC's as leading lights on the world stage – i hope that you too share my determination and will set to work to realise our hopes and aspirations in achieving excellence, glory and distinction.

Thank you.

Dinner address by
Tan Sri Dato' Azman Hj. Mokhtar
Managing Director of Khazanah Nasional Berhad
4 October 2004
Kuala Lumpur Business Club, Malaysia

REMAKING KHAZANAH AND THE GLCs – A CAPITALIST'S APPROACH

Distinguished members and guests of the Kuala Lumpur Business Club,

Introduction

Thank you for inviting me. My topic this evening is *"Remaking Khazanah and the GLCs – a Capitalist's Approach".* The best speeches, I am told, are usually the collegiate ones; those that you offer to your peers and to your seniors. There is usually nowhere to hide and plenty to seek, and Truth is therefore never too far away. *May we be closer by the evening' s end.*

The measure of KLBC's success is that in a short space of time it is now synonymous with providing original food for thought for the business community and senior policy makers alike. Congratulations are in order to the club and especially its leadership. *May the club build upon its early successes.*

To the sponsors, Telekom Malaysia, a heartfelt thanks. This contribution to an important industry network point[2] that is KLBC, is an appropriate example of enlightened corporate social responsibility. This is well placed, especially after Telekom Malaysia displayed sterling capital management recently by announcing not only higher dividends but perhaps more importantly giving investors line of sight of a policy on dividends and returns.

We at Khazanah are happy shareholders, … well, for now at least! Meanwhile, I am told that I would have been flanked this evening by the other capital T – Tenaga Nasional that is – had Tenaga not stopped the proposed joint sponsorship on the grounds that one is quite enough. To that too, we are happy shareholders – such forbearance and cost focus is indeed encouraging, … although we look forward to the day when Tenaga will be buying us all dinner! And in this little story lies a happy display of a nuanced approach to capital and management. *May such enlightened corporate stewardship continue.*

And in this little story lies a happy display of a nuanced approach to capital and management. May such enlightened corporate stewardship continue

To the many in the press, and the investment and business community, I say thank you for your patience in allowing us time to formulate our plans and thoughts that we may present a view that has been thought through and, more importantly syndicated. Expectations are indeed great and we would not expect it to be any other way; they can and should be high so long as they are realistic. Early on, I had even resorted to mailing to chief editors the memorable paper by an eminent finance professor[3] that found that the best predictor for over-paying in acquisitions was not measures

[2] What Michael Porter in his competitive analysis framework would quite importantly define as an institution for collaboration
[3] Richard Roll – The Hubris Hypothesis of Mergers and Takeovers.

such as high PE ratios, it was actually the number of times the acquiring corporate captains appeared on the cover of business magazines. For one who was just starting the heavy task of leading the nation's strategic investment agency it was therefore important that such potentially career limiting exposure was kept to a minimum. It was also important that we went through the diagnostics of the landscape and the syndication of the vision with the major stakeholders. We are now ready to share – within the confines of corporate governance and the nation's competitive positioning – our thoughts and plans. *May we be guided in this important task.*

The topic tonight of remaking Khazanah and GLCs, sub-text from the approach of a capitalist may be particularly interesting to our Chairman,. Being an LSE alumnus our good doctor would have debated at length the roles of the state and the markets. In spite of, or perhaps more precisely because of, the neo-liberal times that we live in, this age old debate is still alive and well today, and is at the heart of tonight's discussion. Sir, I am reminded of the saying that if one is not a socialist by the time one is twenty then one does not have a heart, and that if one is still a socialist by the time one is thirty then one does not have a head. May we all be well balanced on both counts.

Overview

This evening I would like to address more on the "why" and "how"of the Khazanah and GLC revamp program, and bore you less on the "what".

The last, that is the framework of the revamp program, we have recently articulated, and materials to the effect would be distributed that you may refer to if required. Such strategic framework addresses the priorities, mandate and approach of Khazanah in respect of we make of our activist, strategic investment mandate. It outlines our thinking on investment policy, cross-border investments, human capital formation, industry structures, treatment of business partners, and the terms of engagement with our investee companies, i.e. the GLCs.

It outlines our thinking on investment policy, cross-border investments, human capital formation, industry structures, treatment of business partners

So that we may focus our discussion tonight, it is worth repeating that early on we at Khazanah asked ourselves what would constitute success for Khazanah and GLCs after three years. Such introspection was a good starting point. We eventually landed on three broad areas; first the financial objectives of achieving superior total shareholders returns; second the strategic objectives, mostly centered around capability building including in the areas of sectoral and geographical exposure, human capital and technological capability; third, the institutional capacity building objectives of Khazanah that is to build the foundations of an important national institution in line with the new mandate. The last involves building strong foundations in terms of processes, charters, systems and controls, work culture and eventually brand equity. This last institutional and capacity building framework. would also apply to GLCs, at least from our standpoint as a shareholder that is. Our collective KPIs are therefore within this framework.

Against this performance backdrop, I will address first the question of "why" – that is why the revamp is required, and second the "how" that is how we propose to execute the plans. I will try to share specific examples, again within the confines of disclosure rules and corporate governance. Interspersed will be our approach as capitalists with a twist; that is we will approach the execution, the "how" from the standpoint of not just the obvious financial or physical capital, but also from the4standpoint of human capital, knowledge capital and, quite importantly, social capital . This is a mammoth yet worthwhile task, and I submit, one that we – not just Khazanah or GLCs - all have a part to play.

Why?
State ownership, efficiencies and sequencing – the context of change

There are three points to be made

. Where the entities are strategic, such private or privatized entities converted or reverted to being GLCs

A first and fundamental question is to ask should the Government be in business? The answer we believe is a qualified yes. The textbooks are not entirely correct. Markets are less than perfect, they sometimes fail and most spectacularly so in recent times being the Asian financial crisis. Where the entities are strategic, such private or privatized entities converted or reverted to being GLCs.

State entrepreneurship is also required in situations of public goods, as custodians to a common wealth, natural monopolies and high capex-high risk projects where the private sector is either unwilling or unable. It also applies where infant industry protection may be required especially in a world where the market power of Transnational corporations (TNCs) are increasingly concentrated and overpowering. Sometimes, it is an issue of sequencing; legacy holdings from a time past where the state held assets taking over from a colonial legacy as in plantations companies or when state owned enterprises were integrated monopolies as in the likes of Tenaga and Telekom.

Nonetheless, the fact that, the world over, some infants are still being nursed as consenting adults, is a timely reminder of some of the limitations – in execution, if not in structure - of state ownership. A not uncommon challenge is the need to drive efficiencies in such state owned enterprises, due to the absence or reduced ownership.

of the profit motive. Further, the more a market solution is employed, the greater will be a need for strong regulatory capacity.

It can be summarized then that there is a role for both state and markets, and the hybrid in between that are the GLCs. An important corollary to this has been made in that the GLC revamp should not crowd out the private sector in as much as there should not be excessive private value capture of public goods. The key to micro-economic value creation would therefore be a balanced co-existence between the private and public or GLC sectors. Khazanah, other national institutions and indeed the private sector each has a role to play in this ecology. And we echo the ministerial view at a recent KLBC dinner that MAS and Air Asia, Tenaga and YTL and Malakoff,

[4] Social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions... Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together. Social capital refers to the norms and networks that enable collective action (The World Bank website)

Telekom and Maxis and Digi among others, are all national champions in the true spirit of Malaysia Inc.

Second, we often get asked what exactly is a GLC? We submit that the test would

GLCs –State vs. Markets

Should Government be in Business?

- "Market failures", public goods, and low level equilibriums state interventions.
- Common challenge is how to drive performance in the absence of profit motive

Statist ⟷ Market

* Law & Order (Army, Police)

•Less commercial public interest

(Rural roads, public transport)

* National wealth (oil & gas production)

* Natural Monopolies (electricity transmission, telcof ixed line)

* Strategic Industries (ICT, Agro), * Industrial policy IIP (Autos)

* Legacy ownership (plantation cos, erstwhile SOEs)

* Transfer Rents (PNB) * High capex, high risk (wafer fab)

GLCs

•Profit maximizing, supposedly more nimble (Property, construction, IPPs, telcos, etc.)

•Privatization

Strong efficiency drive required ⟷ *Strong regulatory capacity required*

be major ownership and control by a major shareholder who is either a government agency such as Khazanah, or by a government related agency where the Government has an interest in by virtue of a financial or legal exposure, contingent or otherwise. By this definition, it would apply to agencies such as PNB or EPF where the Government guarantees at least the capital portion.

An important corollary to this has been made in that the GLC revamp should not crowd out the private sector in as much as there should not be excessive private value capture of public goods

GLCs definition

GLCs definition

- Test is "control" rather than % ownership. Control is usually defined as the ability to appoint BOD members, senior management, make major decisions (e.g. contract awards, strategy, restructuring and financing, acquisitions and divestments etc.)
- Definition #1: Where Government of Malaysia ("GOM") controls directly – through Khazanah, MOF Inc., KWAP, and BNM.
- Definition #2: (and) where other federal Government linked agencies controls –

  PNB, EPF, Tabung Haji (technically owned by depositors, but capital (and some income) portion guaranteed by GOM.)
- Definition #3: (and) where state agencies controls (Selangor, Johor, Pahang, Perak, Sarawak, Terengganu are particularly active).
- Khazanah uses the definition to be limited to #1 and #2.

Given its heavy presence in both the economy and the market, the need to increase efficiency was therefore obvious

Third, is the need to understand the context of these changes. When the YAB Prime Minister first announced the framework for change in Khazanah's mandate in May this year, it was within the broader context of the very important task of improving national competitiveness and total factor productivity. This is especially pertinent in view of the increasing pressures of liberalization and globalization, where the nation's economic agents needs to be more engaged into the global system and to do so on a sustained basis would mean being ready for competition.

It was felt that Khazanah needed to play a more active role to catalyze the transformation of making our companies and especially GLCs better and more prepared for a more liberalized world. Broadly, Khazanah's role as an active strategic investor now involves driving and creating greater shareholder and strategic value. The first involves financial returns, the second, generally, in terms of the capabilities of these companies. This also covers, where appropriate making calculated bets on behalf of the nation into new sectors and new geographies that we deem important in terms of penetration, linkages and potential for the nation's long-run competitiveness.

It was also a logical progression in terms of the micro-economic transformation of the country. Where 10-15 years ago there was a wave of privatization involving a relatively small reduction in Government's holdings with a focus on infrastructure building, now there is more emphasis on exacting efficiencies out of existing assets, on more optimal shareholding structures and ownership levels by the Government. Various studies have shown that GLCs as a group have basically underperformed on all measures except size. One study by CIMB dated June this year found that GLCs are less productive users of capital, more geared and has lagged significantly in terms of total shareholders return. Given its heavy presence in both the economy and the market, the need to increase efficiency was therefore obvious.

GLCs performance (or the lack of it)

GLCs performance –Big is not beautiful

- Lagging on almost all fronts (all data from Bursa Top 100 analysis)
- Total shareholder returns has lagged

	Total returns (%)		
	1Yr	3Yr	5Yr
Top 100	30.0	17.9	6.8
GLCs	27.6	14.3	3.6
Others	30.7	18.8	7.5

- GLCs make poorer use of capital –1 1.3% ROE vs. 13.7% for non GLCs
- Less productive: Profit/employee of RM109k vs. RM127k for non GLCs
- More geared: Average debt:equity of 60% vs. 35% for non GLCs
- GLCs only ahead on size –2 2% of Top 100 companies, but 44% of market cap, and EBIT profitability – 19.4% EBIT margin vs. 18.7% for non GLCs.

Source: CIMB Investment Banking research

Viewed from the timeline of the financial crisis, it is also sensible sequencing; first it was about macro-economic stabilization, then it was what we have termed "war-time restructuring" involving key companies such as Renong-UEM and MAS among others. Now, this is perhaps "peace-time restructuring" where we are addressing several strategic companies and sectors that are not ostensibly in crisis mode. Within that, there is some, although not exclusive focus on key heavyweights such as Tenaga and Telekom as this was where we could potentially have the biggest impact and provide the greatest demonstration effect.

How?

Strategies ... and execution, execution, execution

There are of course no lack of vision, mission, good ideas and strategies. Where we are short, we can and do lease the talent, the ideas and the strategies. The key is of course implementation and execution. One eminent strategy consultancy out of its KL office concluded that the execution-capacity deficit across 3 major GLCs is a staggering 1,500 leaders. Strategies and frameworks are nonetheless important and should not be underestimated as the catastrophe of wrong planning and bad thinking is usually of very high impact.

Before we discuss in greater detail of how to restructure GLCs, let us consider some examples of how GLCs have demonstrated excellence.

- Petronas in the national development of oil and gas and international investing
- MISC, demonstrating how growth can be achieved through both acquisition and organic improvement
- PTP – it started as a GLC – in world class port operations
- Petronas in implementing procurement systems and a vendor development program that has seen the likes of Crest, Scomi and others graduating to become internationally competitive service providers.
- Celcom in having independently certified better call quality
- CIMB, in creating such a dominant market position and brand equity as an example of what empowered management properly incentivized can achieve
- Tenaga, in spite of heavily publicized blackouts in the 1990s, have demonstrated sharply improved supply efficiency.
- Telekom, in learning and building on its international experience and in better capital management.
- MAS, in its world class cabin service, engineering and pilots. And in its operating unit cost reductions. Also, in unbundling excessive social obligations and in its financial restructuring.
- Maybank and MAS, and, Bumiputra-Commerce before that, have crossed a mental block and have seen the logic of outsourcing its IT operations to focus on their core operations.
- Mutiara Damansara as an example of measured, value creating property development, as is Petronas in Suria KLCC.
- Ironically, Tenaga when it was LLN, was recognized by the World Bank as being the best run electric utility in the developing world, both operationally and financially. It certainly posted greater returns at the 8% ROA required by multi lateral agencies against the 3-4% currently.
- PLUS for building then running world class infrastructure and so on.

We are addressing several strategic companies and sectors that are not ostensibly in crisis mode

Investment holding companies such as Khazanah needed to be re-mandated to actively drive GLC transformation. In doing so, we needed to understand and establish our relationship with the investee GLCs

These are GLCs, and there are other examples. They have shown that it can be done. The key is that these pockets of excellence need to become the norm rather than the exception. In our analysis, we hypothesize that the major conditions for success[5] are

1) Clear industry and regulatory structure and reporting lines
2) Professional management and Board working in unison,
3) Independence in key decision making,
4) Strong internal culture of performance and emphasis on systems and controls,
5) Focus on financial discipline in addition to service delivery,
6) Disciplined access to credit and orderly competition

Against this backdrop, we can share that we, that is Khazanah, is approaching the solutions with a focus on implementation as follows;

1. Get the setting right #1 – separate the various roles of Government. To echo the ministerial view of putting the right objectives of Government into the right boxes. Hence, the three broad roles of Government in economic participation as regulator (public interest, level playing field), developer of public goods (i.e. socio-economic objectives such as public transport) and as investor (i.e. pursuing shareholder value). This is not just more efficient from a division of labor standpoint, but perhaps more importantly it resolves inherent conflicts between the rights of minority shareholders and taxpayers. Hence, in public equity, agencies such as Khazanah will principally pursue total shareholder return. The changes with respect to Board composition and the consolidation of MOF listed companies under Khazanah reflect this view.

2. Get the setting right #2 - Mandate the "mothership" to macro-manage. Investment holding companies such as Khazanah needed to be re-mandated to actively drive GLC transformation. In doing so, we needed to understand and establish our relationship with the investee GLCs. It is important to demarcate our respective roles as there is a risk that we may inadvertently get into each other's role. Corporate governance need to be observed in its most enlightened form of meaning both conformance or value protection and just as importantly performance and value creation. Hence, the view that we should not micro- manage but we must and will actively macro-manage.

3. Get the setting right #3 – specify the terms for engagement for GLCs. Our five point framework

As major and strategic shareholders, our five-fold framework for GLC transformation is by now well documented. First, to ensure that the right "bench" or leadership in terms of the Board and senior management is in place. Hence, you have begun to see, through the appropriate channels, changes in senior management and board composition. Second, to ensure that the right strategies are in place. This is ongoing and there is active review going on all fronts as this is the starting point of the KPIs and PLC (Performance Linked Compensation). This would vary by company. At the UEM Group and MAS for example it is about growth and building on the financial restructuring platform. At Tenaga and Malaysia Airports it will probably have a lot of concentration on both financial and operational restructuring.

[5] At the risk of "Richard Rolling" Petronas, refer to the appendix for an analysis postulating Petronas as a best in class GLC against representative "inhibited GLCs".

Third, we look for improvements in key systems and controls as a means to underwrite future growth and efficiency improvements. This will again vary by company, but will typically cover key systems such as risk management and internal audit, the performance linked compensation system, procurement and so on.

Fourth, we also look to add value in how industry structure or groupings emerge either through our role as shareholders in sectors where we have a critical holding mass or as a strategic national economic agency where we will argue for a more optimal industry and regulatory structure. In Tenaga's case, for example, we believe there is an optimal industry position that optimizes the trade-offs between shareholder value, industrial competitiveness and public interest. We will argue for this optimal position through the levers of government in as much as we are driving through the Board of the need to exact internal efficiencies before submitting for a tariff increase.

The fifth principle is actually quite simple in that if the previous four is in place, the best thing that a major shareholder can do we believe is to forebear, not to micro manage and to merely monitor and empower. We know that the devil will be in the execution and this needs to be rightly driven by the respective management teams.

4. KPIs – what we are looking for. We are principally driven through financial measures, typically by total shareholder returns, and second, by strategic and institutional value creation. Broadly, this means, we first and foremost look for share price performance and dividend returns, good and transparent capital management, ROE focus, reducing vulnerabilities to business cycles (such as lowering breakeven load factors) and cost focus. Increasingly, we will try to focus on good proxies such as unit procurement costs and medical costs per employee as levers for change. The targets are set against a combination of improvements over historical performance as well as against best in class benchmarks. For some companies, this means they need to start with benchmarking. For strategic and institutional value creation, this means we look for improvements in indicators such as customer satisfaction, employee engagement, brand equity, market share and so on, that can help predict the sustainability of the business.

For strategic and institutional value creation, this means we look for improvements in indicators such as customer satisfaction, employee engagement, brand equity, market share and so on, that can help predict the sustainability of the business

5. PLC – Performance Linked Compensation. PLC deserves special mention as the best way of aligning interests is to give management and staff an incentive structure that drives performance. Of course, there are risks that that we could get badly designed or badly implemented schemes, but there are clear guidelines to be observed where for example such schemes are to be self-funded from excess returns over and above what is due to shareholders. This is to be implemented by FY 2005. We want to share that in one company at least security guards now know the word if not the full meaning of EBITDA. When security guards start talking like security analysts, perhaps we are on to something.

6*. *Levers of value creation – working with investee companies on some macro ideas. Without getting into specifics, and in addition to the kind of efforts that we have described earlier, we are also focusing on several key macro areas that

Our work as major shareholders will be to see the fruits of our labor delivered by the management and staff of the investee companies

we believe can be significant levers of value creation. This includes the focus on capital management; outsourcing or selling non core operations, assets and processes; mitigating excessive corporate social responsibility through unbundling or re-bundling of such obligations such as education and socio- economic services; possibilities of creating synergies through mergers and alliances among group companies and with external entities; and careful expansion where appropriate into cross border markets;

7. Building Khazanah's capability to deliver above tasks. Briefly, only a strong and capable Khazanah would be able to play the above roles well. In this regard, we are busy working unseen on rather significant capacity building in the area of restructuring our financial portfolio, revamping processes and systems and building up human capital and knowledge capital. The last for example will see the creation of a Khazanah research institute as an internal think tank for micro economic research that we will hopefully and eventually offer to the nation as both a resource and a catalyst for change.

8. Execution, execution, execution. All said and done, we know the key will be the ability to execute, and this will primarily be in the hands of the investee companies. This is especially so in operational, so-called "peace time" restructuring, where the urgency of crisis restructuring or the quick impact of financial restructuring is absent. Moreover, as major strategic shareholders we cannot be as footloose or nimble as portfolio investors. Our work as major shareholders will be to see the fruits of our labor delivered by the management and staff of the investee companies. Khazanah's task is principally to give the right framework, support and tools to management to execute. That is why we have also instituted performance contracts – and this starts at Khazanah. A final word on this is worth sharing that at a recent board retreat we concluded that we had better execute the strategies, otherwise we would get executed ourselves.

Social Capital

The importance of trust and collective action

In addition to the importance of financial, knowledge and human capital, I must share this concept that I am sure we are all familiar with in all but its name of **social capital**. The seminal work of Robert Putnam[6] showed the strong correlation between economic development among local governments in Italy and the preponderance of **social capital** as measured through various indicators ranging from singing clubs, football associations and thousand year old public complaint bureaus. Trust, reciprocity, commonality of purpose, collective action, working towards the greater good of nation building for the current and future generations of all Malaysians must rightly be the bedrock of our joint mission. This is a mammoth but worthwhile undertaking and I invite you all to play your part.

At Khazanah, we hope to earn your trust, that, firstly, we are doing what we are doing not for any narrow interests but always for the greater good of the nation. We therefore need to first conduct ourselves with integrity and professionalism in deed and not just in intent. We will welcome all constructive criticism and may our friends be our fiercest critics. And in our capacity building, we are also designing flexible and hopefully clever mechanisms where we hope you can come forward and contribute. These include serving as nominee directors, as part of advisory panels, as visiting fellows, our research institute, and as our business partners. As we build our capability, we hope we will be of use to the nation as a resource and eventually as a centre of excellence.

When?

Measuring and judging on the right horizon

As any student of investment will know one important parameter is to always know your investment horizon. Our task, our success or otherwise, I believe should be measured over the medium-term, three years to be exact being the standard length of performance contracts. Of course, there needs to be performance milestones way before that.

As Keynes rightly observed in the long run we are all dead, and that there is no long term without surviving the short run. At this point, the key in my view will be to concentrate on building the conditions to allow for meaningful and sustainable change. Of course we have short run targets to deliver on, but we must resist the temptation to be overly governed by quarterly announcements. In the long run, share prices will reflect the true fundamental value.

We will welcome all constructive criticism and may our friends be our fiercest critics. And in our capacity building, we are also designing flexible and hopefully clever mechanisms where we hope you can come forward and contribute

Focus on fundamentals

We note that the markets seem to have factored in some approval for what's happening. Since the YAB Prime Minister announced the GLC changes in May this year, our listed portfolio is up more than 18% compared to a KLCI rise of 8%. I do not know for sure if this is deserved or indeed sustainable, although we would like to believe this is just the beginning. When the CFO of Tenaga recently asked what this major shareholder wanted for the share price to close for the week – I said minus 20 sen – it was rising too quickly. My advice would be to cut the hype and judge us strictly on fundamentals; let's all focus on meaningful and sustainable value creation.

Kuala Lumpur
4th October 2004

APPENDIX: ANALYSIS OF GLCS DRIVERS OF PERFORMANCE

GLCs - drivers of performance

Performance Driver	Performing GLC - Petronas	Inhibited GLC
Clear and orderly Industry and Regulatory Structure	• Reports directly to YAB PM • Clarity on most regulatory issues • # of industry players well planned. No oversupply	• No clarity on key issues such as tariffs, capacity planning • Industry plagued by bouts of overcapacity and shortages • Overlicensing in mobile telcos
Professional management and BOD	•Very stable management and BOD, long tenures, with clear succession history • Pays reasonably competitive compensation packages • Performance pay in place	• Short tenures of CEOs • Unstable (or worse) dysfunctional and antagonistic BOD/Senior Management teams • Till now, uncompetitive pay, with little performance element if any
Decision Making	• Relative autonomy – reports directly to YAB PM	• Multiple "regulators" • Quite common in the past to use listed GLCs for social objectives

GLCs - drivers of performance

Driver	Performing GLC - Petronas	Inhibited GLC
Internal DNA and culture – performance, systems and controls	• Strong, almost overbearing culture of systems and controls • Culture of performance and empowerment is rising • Reasonably good HCM	• Degree of systems and controls generally low • Greatly bureaucratic generally, very low empowerment. • Generally poor HCM • Note: UEM has relatively strong controls and systems, empowerment
Financial discipline in addition to service delivery	• Relatively strong financial focus – ROI, project evaluation • Strong financial position gives long run orientation crucial for strategic development of industry	• Generally poor financial or ROI focus • More service delivery focus, with little attention to "at what cost"
Access to credit and orderly competition	• Strong funding capacity has generally not resulted in lax financials • Well managed industry – oligopolistic • International competition has sharpened Petronas	• Easy money contributed to financial indiscipline • Overcompetition has damaged financials • More global and regional competition should sharpen performance (MAS)

[6] Making Democracy Work: Civic Traditions in Modern Italy (1993)

Speech by
YAB Tun Abdullah Ahmad Badawi
Prime Minister of Malaysia
At the launch of The GLC Transformation Programme
29 July 2005
Kuala Lumpur Convention Centre

THE GLC TRANSFORMATION PROGRAMME

YAB Dato' Sri Mohd Najib bin Tun Abdul Razak Timbalan Perdana Menteri Malaysia

YB Tan Sri Nor Mohamed Yakcop Menteri Kewangan Kedua dan Pengerusi, Putrajaya

Committee on GLC High Performance

YB Menteri-Menteri

Distinguished guests Ladies and Gentlemen

1. Thank you for taking time out of your busy schedules to attend this GLC Transformation event. You are the cream of corporate Malaysia, managing and administering some of the country's most strategically important companies. Government-Linked Companies or GLC's make up about 36 percent of the market capitalisation of Bursa Malaysia, account for around 5 percent of our national output, and employ some 400,000 people. Your positions are therefore a grave honour for you, and come with even graver responsibility. But more than that, the performance of your companies greatly impact the productivity and wellbeing of almost all companies, and almost all Malaysians, across the country.

Malaysia is a relatively small country with a population of about 25 million. Being a small market, we have quite modest resources

2. I have recently spoken about the "growing pains" the country is facing, in a speech to the Harvard Club of Malaysia. While I do not intend to repeat the entire speech, let me re-iterate some of the points I made then. Malaysia is a relatively small country with a population of about 25 million. Being a small market, we have quite modest resources. We have done well to transform a country that seemed destined to be a failed state when it gained independence, into a thriving, modern economy, currently at the forefront of the developing world. Through hard work, tolerance and compromise, we have turned our diverse population into a united nation, equipped with all the advantages of diversity, cultural skills and understanding.

3. We owe much of our progress to the wisdom of our past leaders. We now see before us the considerable challenges of the future, in particular the accomplishment of Vision 2020, as laid out by Yang Amat Berbahagia Tun Dr. Mahathir Mohamad about 15 years ago. We have a mere 15 years to go, as we embark upon the second phase of the journey to 2020. We must now lay the foundations to make the shift to become a developed nation, a process that involves a comprehensive and almost system-wide change to the way we do things in the country. Most importantly, it

involves nurturing a positive set of values, mentality and cultures in Malaysia, as well as discarding old habits and "addictions" that may stand in the way of progress.

4. I have said this before, but perhaps it bears repeating today. Achieving Vision 2020 will be the greatest challenge ahead. It will be the number one challenge of the current generation, of the next generation and perhaps even beyond. I have spoken about the journey of becoming a developed nation not as a mere walk or run on a flat and smooth field, not just as a destination far away in the distance, but rather as a treacherous climb up steep and dangerous mountains, with grave obstacles and precarious hurdles along the way.

5. Realising Vision 2020 will require us to push ourselves in ways we never imagined. We will need to dig deep into our reserves. We will need strength of the mind, body and spirit. We will need wisdom, courage and tenacity. We will need to have the clearest of vision and be focussed on achieving the goals and on climbing the summit to success. We will need to extract maximum value, and achieve maximum performance, in all that we do. That is why I have always spoken about the need to achieve excellence, glory and distinction. That is why I have spoken on the need to build first-class mentality in the country, to optimise the use of the first- class infrastructure present in many parts of Malaysia. That is why I have spoken about forging a national performance culture in the country. That is why I have always discussed human capital development, because people are the basic building blocks of all that we do.

6. Many people underestimate the challenge ahead. I don't see a great sense of urgency in the many things that we do. Nor do I see much awareness about the complexity and magnitude of the difficulties that we face. Globalisation and liberalisation draw us closer to even more intense competition from other nations across the globe. The international flow of funds, goods and services means that we must now face off against regional economies much larger than ours. The imperative for us – indeed, for Malaysia – is to change and to transform; to raise our productivity and to value add; to move to a higher plane of performance and merit; and to do it now, not tomorrow, certainly not next week or next month.

7. As the engine of growth, the private sector must lead the way. Malaysia will increasingly depend on domestic-led growth and investment, particularly from the corporate sector in the country. Therefore, the corporate service delivery system must be upgraded. The government is seeking to transform as well – to enhance the public service delivery system – to meaningfully play its part as facilitator, regulator and developer. The position of the GLC's then is quite unique and exceptional. As providers of mission-critical services – such as utilities and infrastructure – and as strategic developers in many of the new growth areas, the GLC's must reform and transform into high-performing organisations. This will boost overall performance of the GLC's, produce a powerful demonstration effect for the country's larger private sector, and develop new growth prospects in the country; all in all, measures to take Malaysia to the next level of development. This is why we are gathered here today – "to catalyse GLC transformation to advance Malaysia's development".

Globalisation and liberalisation draw us closer to even more intense competition from other nations across the globe

This transformation journey continues apace, now with a greater focus on quality and performance

Ladies and Gentlemen

8. GLC transformation is part of the ongoing effort by the Government to drive development and grow the economy. Many GLC's are unrecognisable from their humble beginnings decades ago. Petronas began with 300 people in one business, and has become a giant integrated oil and gas company present in 33 countries. Telekom Malaysia was formerly a government department laying telephone lines for people, and has become an international telecommunications company with businesses in mobile, internet, data communications and the like. Proton started as a mere idea, and is today a respected automotive company manufacturing more than 170,000 cars per year and with full design and engineering capabilities.

9. This transformation journey continues apace, now with a greater focus on quality and performance. About two years back, when I was Deputy Prime Minister, I asked for the key performance indicator (K.P.I.) project to be piloted at two GLC's. Then in May last year, I launched the transformation program at the Seminar on Culture of High Performance of GLC's, with saw the take-off of the K.P.I. and board composition initiatives, the revamp of Khazanah Nasional, as well as changes in the management personnel at certain GLC's. A stock-take conducted recently shows that we have made sound progress on last year's initiatives – total shareholder return of the benchmark 15 GLC's recorded an 18 percent return since May last year, compared to a 15 percent rise for the Kuala Lumpur Composite Index (K.L.C.I.). Nonetheless, there remains much room for improvement in many areas and in many of the GLC's.

10. As such, I established the Putrajaya Committee on GLC High Performance early this year to follow through and catalyse the GLC Transformation Program. I asked the Second Finance Minister, along with the heads of the Government-Linked Investment Companies (GLIC's) – namely Khazanah Nasional, Permodalan Nasional Berhad, Employees Provident Fund, Lembaga Tabung Amanah Tentera and Lembaga Urusan Tabung Haji – to work together to monitor developments and to recommend further measures. Although I know that the transformation journey involves the long haul, with many tough decisions along the way, I am pleased that the Putrajaya Committee has shown significant progress from where we were a year ago.

11. In particular, I am pleased that the work of the Putrajaya Committee has culminated in a "Transformation Manual" that will be launched today. This Manual has two parts to it. Firstly, it contains the overall policy guidelines of the Putrajaya Committee to address some of the core challenges and guide GLC transformation. Secondly, it details the GLC transformation initiatives for 2005/2006.

12. The Transformation Manual is the result of robust and well-researched work, with more than 100 in-depth interviews conducted with GLIC C.E.O.'s, GLC Chairmen, C.E.O.'s and Board members, institutional investors and opinion leaders, as well as extensive analyses based on Malaysia's own programs and similar 'best practice' experiences from other countries. Three key principles run through the GLC transformation program:

i. First, that the program is part of the larger national development strategies;

ii. Second, that the program is focused on enhancing performance at the GLC's; and
iii. Third, that the program takes full cognisance of matters relating to governance, shareholder value and stakeholder management.

13. Meanwhile, I have been made to understand that the policy guidelines in the manual have been set out to achieve five objectives:

i. One, to clarify the GLC mandate in the context of national development;
ii. Two, to upgrade the effectiveness of Boards and reinforce corporate governance of GLC's;
iii. Three, to enhance GLIC's capabilities as professional shareholders;
iv. Four, to adopt corporate best practices within GLC's; and
v. Five, to implement and enforce the GLC transformation program.

14. In addition to the policy guidelines, I am pleased to announce that 10 initiatives have been identified to be developed, launched and implemented across all GLC's over the remainder of 2005 and into 2006. These initiatives have been set out based on their importance as levers for change, their large potential impact on value, and the unique ability of the Putrajaya Committee to drive change in these areas. The 10 initiatives are:

i. First, enhance Board effectiveness;
ii. Second, strengthen directors capabilities;
iii. Third, enhance GLIC monitoring and management functions;
iv. Fourth, improve regulatory environment;
v. Fifth, clarify social obligations;
vi. Sixth, review and revamp procurement;
vii. Seventh, optimise capital management practices;
viii. Eighth, manage and develop leaders and other human capital;
ix. Ninth, intensify performance management practices; and
x. Tenth, enhance operational improvement.

These initiatives have been set out based on their importance as levers for change, their large potential impact on value, and the unique ability of the Putrajaya Committee to drive change in these areas

15. These 10 initiatives are aimed at enhancing the fundamentals of GLC performance. Improving the effectiveness of boards and directors are pre-requisites that GLC's must fulfil to maintain and enhance their competitiveness; as is the need for GLIC's to watch closely over their investee companies so as to be able to raise the performance bar. The environment in which GLC's operate must be clarified and improved, in the case of regulations and social obligations that GLC's have to meet. Procurement policies and practices must be enhanced to ensure that GLC's get value for money in their purchases, including by plugging the leakages and overcoming possible shortcomings in the system.

16. Optimal capital management and operational improvements must always be sought by the GLC's in all that they do. Performance management of staff will need to be strengthened even further, as leaders and other human capital are developed to their fullest potential. I hasten to add that ethics and values will need to be emphasised in this respect, to develop leaders of integrity at all the GLC's. Meanwhile human capital development – whether through entry-level courses, professional

development courses or on-the-job training – will need to be stepped up to ensure that employees are able to learn, un-learn and re-learn, in their ultimate quest for life-long learning. All GLC's must therefore become learning organisations, while personnel development must come directly under the purview of the GLC C.E.O.'s.

17. I understand that the Transformation Manual will be augmented with further guidelines and supporting materials, such as "How-to Books", templates, tools and best practice case studies, to make implementation that much easier. In certain instances, pilot projects for the 2005/2006 initiatives have been implemented at selected GLIC's and GLC's to create the momentum for change and to test execution challenges. All these measures taken therefore lend themselves to almost trouble-free implementation for all the GLC's involved, such that we should be able to see execution of the plans soon and derive some positive results in the near future.

Ladies and Gentlemen

18. Transforming GLC's will contribute to the development of all stakeholders, and enhance the national economy over time. Investors, customers, employees, suppliers, the corporate sector, the Government and ordinary Malaysians – literally everyone will benefit from GLC transformation. This program will also promote many national development priorities, including the development of a more competitive and resilient Bumiputera enterprise community, through the creation of better-skilled Bumiputera managers and employees, more capable Bumiputera vendors and suppliers, and the like.

Fully expect the transformation program to bear fruit at each and every GLIC and GLC The quality, performance and profitability of these entities should all be enhanced, through purposeful planning and determined implementation

19. As such, my Government is fully committed to implementing the GLC Transformation Program. We will focus our work on execution of the plans, while emphasising tangible results and outcomes. I fully understand that there are manifold differences between the various GLIC's and the many GLC's, so that there will be different action plans and timelines for these different entities. Corporate philosophies and vision/mission statements may well be different at these different companies. Nonetheless, I fully expect the transformation program to bear fruit at each and every GLIC and GLC. The quality, performance and profitability of these entities should all be enhanced, through purposeful planning and determined implementation.

20. The key to all our plans will be follow-through. We are now at the stage of generating momentum for GLC transformation. A Transformation Management Office (T.M.O.) has been set up to ensure the success of the program, with quarterly reporting to the Putrajaya Committee, and thereon directly to me. The C.E.O. of the GLIC's will be tasked to monitor and ensure that the implementation at their GLC's is on track, while the Chairman and C.E.O. of the respective GLC's will be accountable for program results at their own companies. Following on from the spirit of GLC transformation, I can assure you that strong performance with adherence to good governance will be recognised and rewarded, while shortfalls and lack of results will also be treated in a firm but fair way.

Ladies and Gentlemen

21. I have no illusions that the journey ahead for GLC transformation will be long and arduous. Making and sustaining change at the GLC's will not be easy; indeed, it will take political will, corporate determination and hard choices. Malaise and inertia will constrain us, as will outdated thinking and old mentalities. But we must move forward. By ensuring the success of the transformation program, we will be able to take GLC's to a new level of performance, moving them from average to excellence, to glory, and then to distinction; thereby creating more and more global champions and "best in class" companies in Malaysia. By doing that, we should be able to better realise our dreams and aspirations, and join the league of developed nations in 2020, for the benefit of current and future generations of Malaysians. I believe that all of us here are equal to the task, and I ask you to join me on this exciting and momentous journey.

Thank you.

Transformation will be long and arduous. Making and sustaining change at the GLC's will not be easy; indeed, it will take political will, corporate determination and hard choices

Excerpt From Keynote Address By
YAB Dato' Sri Mohd Najib Tun Abdul Razak
Prime Minister of Malaysia
At Invest Malaysia 2009
30 June 2009
Shangrila Hotel, Kuala Lumpur

GLCS AND CORRIDOR DEVELOPMENT: CONTINUITY AND CHANGE ANCHORED ON COMPETITIVENESS

1. In order for Malaysia to successfully realise its ambition for developed nation status, there will clearly be key areas in need of major change and at the same time, other areas where we are already in the right direction, which therefore will be reinforced. In this regard, our policies on Government Linked Companies (GLCs) and corridor development going forward will involve a judicious combination of continuity and change.

2. GLCs continue to constitute a major part of the nation's economic structure. Thus, it is in the national interest that GLCs play their role, both in supporting the success of other companies that make up Malaysia Inc. and at the same time, leading the way as successful corporations in their own right. Both roles require a continued focus on performance and competitiveness, which needs to be benchmarked, not only locally but at global standards. In this context, the Government is committed to ensure that the GLC Transformation Programme continues to be implemented. If anything, with greater urgency and focus. The continued drive for high performance is critical to ensure that Malaysia is able to unlock its full growth potential.

3. There are clearly key examples of GLCs which must aspire to greater heights, whether in terms of being best in class or emerging as future regional if not global champions. These include the likes of Petronas, MISC, Sime Darby, MAS, Axiata, CIMB, Maybank but to name a few. These companies must continue to pursue an increasingly international outlook in terms of market penetration and international competitiveness. The success of such Malaysian champions will help define the boundaries and reach of Malaysia Inc in the years to come.

GLCs must also play a complementary role in the development of the Malaysian private sector

4. At the same time, GLCs are significant in the Malaysian context, not only in terms of their size but also with respect to the business critical functions they provide to businesses in Malaysia, particularly services such as electricity, telecommunications, postal, airlines, airports, water and financial services. Hence, greater competitiveness and performance by such GLCs supports the competitiveness of Malaysia Inc.

5. Beyond supporting through competitive services, GLCs must also play a complementary role in the development of the Malaysian private sector, in terms of the space in which it competes. In terms of defining the role of GLCs going forward, three key principles will be applied. First, GLCs should be focused on core activities and therefore, should proceed to dispose of non-core activities; Second, GLCs should only operate in sectors, in which GLCs as institutionally owned entities can

be competitive and even in these sectors, GLCs should catalyse and develop the domestic eco-system, including vendors. GLICs should divest companies operating in sectors or scale of activities best undertaken by entrepreneurs. Third, in their respective core sectors, GLCs must compete on a level playing field with private sector. There will be no issue of Government providing assistance to GLCs by virtue of its shareholding, to the detriment of private sector competition. Through these principles, the Government is confident that GLCs will play a complementary role with the private sector towards fully unleashing the dynamism of Malaysia Inc and enhancing the competitiveness of the country.

A high income society must be socially inclusive. It must provide incentives for those who “have a lot” and yet be fair to those who “have a little”

6. Similarly, the Government’s support and drive for corridor development will continue anchored on the competitive intrinsic of each corridor and in terms of its activity to help drive immediate-term fiscal stimulus imperatives as well as medium and longer term structural change to the economy. In this regard, the development of Iskandar Malaysia for example will continue to be driven anchored on its push towards greater regional integration in a networked economy and its propensity to develop a new template for newer higher value-add service-based sectors including in healthcare, wellness, education, leisure and tourism and logistics services

Conclusion

7. In conclusion, if there was one message I wanted to leave with the investment community, it is that there should be no doubt that Malaysia welcomes foreign and local investors and participants. We can only achieve high income by creating more opportunities for growth rather than protecting our narrow turf. We can only achieve our social equity goals by expanding the pie. A high income society must be socially inclusive. It must provide incentives for those who “have a lot” and yet be fair to those who “have a little”. It must lead to high returns for companies and entrepreneurs who invest, better and higher incomes for those that are employed and greater capability for those who require assistance to help themselves or to get help from government. Above all, a high income society must be one where every Malaysian feel they have a place and a promising future under the Malaysian sun. It is toward this ultimate goal that I dedicate the energies and efforts of this Government. I hope as investors, you too will continue to play your part, and walk along with us in this great Malaysian journey.

Thank you.

Opening Speech by
YAB Dato' Sri Mohd Najib Tun Abdul Razak
Prime Minister of Malaysia
At The GLC Open Day 2011
24 June 2011
Kuala Lumpur Convention Centre, Kuala Lumpur

GLC OPEN DAY 2011: KEYNOTE ADDRESS

1. Let me now thank members of the Putrajaya Committee on GLC High Performance (PCG), its Secretariat, the GLICs and GLCs participating in this inaugural GLC Open Day.

2. I also extend a warm welcome to all those visitors who are devoting some of their valuable time to visit this Open Day. I sincerely hope that you and your families will find your visit to be informative, educational and entertaining. If you win a prize, it will be even better!

3. Welcome, everyone, to this inaugural GLC Open Day.

The crisis demonstrated the hollowness of unfettered capitalism

4. Malaysia is at a crossroads. We have spent decades travelling the difficult and uncharted path from the Third World to the First World – a challenge which many countries have failed. Our success did not happen by chance – it has taken foresight, vision, courage and the dedication of millions of Malaysians.

5. Having travelled this far towards becoming a high-middle-income country, the path does not get easier for us. The challenge now before us is to update the model that has brought us here. This is necessary to continue our journey in a way that is both inclusive and sustainable.

6. That is why, some years ago, we embarked on a major endeavour – the GLC Transformation Programme under the auspices of the PCG. The financial performance of the GLCs is very important – the beneficiaries of their performance are many, as is evident from the variety of GLICs investing in them. Some two years ago, we formed Pemandu to undertake the Government Transformation Programme, and later the National Economic Advisory Council to develop the New Economic Model. Pemandu is now implementing the Economic Transformation Programme, built around the New Economic Model.

7. As the global economic crisis has proven so recently, a purely capitalist 'anything-goes' philosophy of doing business – with no government regulation whatsoever – is not the way to a healthy and prosperous society for all. . Those who advocate for a complete absence of government involvement are seeking primarily to line their own pockets without restraint, and without any concern or compassion for their fellow citizens.

8. It must be the role of government to facilitate the health, prosperity and security of every citizen. The challenge of such a duty can never be over-estimated, and there is no textbook, or even general consensus, on how to do it right.

9. Our ultimate goal is thus the collective well-being of all Malaysians. Effecting and managing the necessary change to meet this goal must be a shared effort. This includes Government working with the business community: both the private sector and the GLCs.

10. Historically, Malaysia's Government Linked Companies were underperformers. This they had in common with state enterprises the world over.

11. The GLC Transformation Programme was conceived, defined and executed to address this issue. Because of the breadth and scope of Government Linked Companies in Malaysia, the Programme has had to be far-reaching and inclusive.

12. There are three objectives of the Programme I would like to touch upon today: Performance; Nation-Building; and Touching Lives..

13. **Firstly: Performance.** In today's fiercely competitive global business environment, no company can sustainably make money without good management, strategic direction, clear vision, inspiring leadership and absolute integrity, as well as talented and dedicated employees. For the GLCs, we have set very high targets in terms of performance, and we have not been disappointed. Over the past few years, the GLCs featured at this event have undergone significant transformation – enhancing efficiency, growth and accountability – to make them truly world-class. Here, at GLC Open Day, these companies – our companies – are proud to share with us their continuing stories of Transformation and performance improvement.

Without such wealth, there can be no education, no healthcare, no infrastructure, and no sense of security, safety and well-being

14. **Secondly: Nation-Building.** Humans are social creatures. We can each achieve our true potential only with the support of family, community and nation. It is the duty of government, of industry and commerce, of the educational establishment, and of every citizen, to participate fully in nation-building, for the greatest good.

15. No nation can be built without the generation of 'common wealth'. Without such wealth, there can be no education, no healthcare, no infrastructure, and no sense of security, safety and well-being. We are blessed in Malaysia to have both private companies and GLCs which provide world-class products and services, and contribute significantly to the prosperity of the nation.

16. **Thirdly: Touching Lives.** It may surprise some people just how many of our nation's high-profile companies are in fact GLCs, which also contribute dividends to the people via their GLICs and taxes to the government. This designation should no longer carry any association with the state enterprises of earlier decades, and their stigmas of inefficiency, lack of transparency and absence of accountability.

17. Today's GLCs are spread through every sector of commerce and industry. They seek transparency, efficiency and to serve the common good. They also provide employment and development opportunities for our citizens – enabling them to support their families and to enhance their skills.

18. Seven years into the ten-year Programme, I am very happy to receive this 'school report' from the Putrajaya Committee on GLC High Performance.

19. You have indeed much to be proud of. The improvements in the GLCs are both significant and self-evident.

20. Growth has been strong and sure. Profitability remains sound, despite global financial crisis. Transparency is greatly improved and institutionalisation is much advanced. The GLCs are well on the way to helping Malaysia achieve 'developed country' status, by generating the 'common wealth' we need to make this happen.

21. But there is no room for complacency. Our expectations are high, and the global business environment grows ever more challenging. Even as we seek to develop regional champions, we have no shortage of regional competitors.

The GLCs are well on the way to helping Malaysia achieve 'developed country' status, by generating the 'common wealth' we need to make this happen

22. I expect the GLCs to stay on course with the Programme and strive even harder towards our national objectives.

23. I would like to extend my thanks and appreciation to the employees of our nation-building Government Linked Companies, not only for their hard work in furthering the commercial interests of their companies, but also towards the development of Malaysia, and for their outstanding efforts at putting together this extraordinary event.

24. To our visitors, please be prepared to be pleasantly surprised by what you see and learn here today, to feel free to ask questions, and to enjoy the experience. I hope that you will leave here today with a sense of optimism about our collective future, a determination to participate fully in the growth and development of our nation, and with a greater pride in being Malaysian.

Thank you.

MEDIA STATEMENT
Putrajaya, 6 May 2010

GLCs PRIMED TO SUPPORT GOVERNMENT'S EFFORTS IN NEM IMPLEMENTATION

YAB Prime Minister Dato' Sri Mohd Najib Tun Abdul Razak today chaired the 21st meeting of the Putrajaya Committee on GLC High Performance ("PCG"). At the meeting, the Chairmen and CEOs of Government-Linked Investment Companies[1] ("GLICs") and Government-Linked Companies ("GLCs") expressed their readiness and strong support for the Government's effort to transform the economy under the New Economic Model ("NEM").

The GLICs and GLCs were urged to accelerate the momentum of the GLC Transformation Programme as the success of the GLCs are inter-linked with the nation's economic success. It was agreed for the GLIC and GLC community to come forward and demonstrate support to achieve the 3 outcomes of the NEM, namely High Income, Inclusiveness and Sustainability.

The meeting was attended by the Minister in the Prime Minister's Department in charge of the Economic Planning Unit, YB Tan Sri Nor Mohamed Yakcop, the Second Finance Minister, YB Dato' Seri Ahmad Husni Hanadzlah, Deputy Finance Minister II, YB Senator Datuk Dr Awang Adek Hussin, senior officials from the Ministry of Finance, leaders from the five GLICs and the Chairmen and CEOs of the G-20.

During the meeting, the PCG Secretariat, on behalf of the GLICs and GLCs, reported to the Prime Minister and PCG members that GLCs proved resilient throughout the sub-prime crisis in 2008-09 and are poised for growth in 2010. This was reflected in the G-20[2] total shareholder returns ("TSR"), which generated a 6-year compounded return of 14.7% as at 3 May 2010, out-performing the FBMKLCI (ex- G-20) by 2.6%. Market capitalisation of the G-20 stood at RM301bn as at 3 May 2010, surpassing the pre-crisis peak of RM293bn as at 31 December 2007. Aggregate earnings of the G-20 are forecasted to increase to RM17.7bn in FY2010, a RM6bn or 52% jump from FY2009.

[1]The five GLICs are, Permodalan Nasional Berhad, Employees Provident Fund, Khazanah Nasional Berhad, Lembaga Tabung Angkatan Tentera, Lembaga Tabung Haji.

[2]G-20 is a selection of approximately 20 larger GLCs controlled by GLIC constituents of the PCG. There are currently 19 GLCs following the Sime Darby merger and TM demerger. UEM Group has replaced UEM World following UEM's restructuring exercise. UEM Group's TSR is computed by using their listed subsidiaries' values as proxy.

The PCG meeting also discussed five core roles that GLICs and GLCs will play in supporting the NEM. The roles are:

1. Diligently staying the course in executing the 10-year GLC Transformation programme;
2. Relentlessly executing (the transformation plans) to become regional champions;
3. Where appropriate, pioneering entry into new economy investments in line with the NEM;
4. Collaborating and co-investing with the non-GLC private sector;
5. Continuing to focus on core operations on a level playing field and exiting non-core and non-competitive assets.

The Chairmen and CEOs of the GLICs and GLCs who attended the meeting agreed that their organisations will align their transformation programmes with the recommendations outlined in the NEM. In summary:

1. GLICs and GLCs are ready and primed to support NEM and deliver transformation outcomes for the nation;
2. Continuous Government support for the GLCT Transformation Programme is critical;
3. Regulatory frameworks and policies are key to ensure a level playing field;
4. Programmes to further strengthen human capital and talent development as well as employee welfare are on-going and crucial;
5. Leverage on Government-to-Government relationships, coordination and networks to enhance regionalisation and globalisation efforts of GLICs and GLCs

END

For further information, please contact Mohd Asuki Abas at +603-2034-0294 or via e-mail to
asuki.abas@khazanah.com.my

APPENDIX E

ACRONYMS & ABBREVIATIONS

AFFIN	Affin Holdings Berhad
AFFINBANK	Affin Bank Berhad
Axiata	Axiata Group Berhad
BETR	Bumiputra Economic Transformation Roadmap
BIMB	Bank Islam Malaysia Berhad
BHB	BIMB Holdings Berhad
Boustead	Boustead Holdings Berhad
CAGR	Compounded Annual Growth Rate
CCM	Chemical Company of Malaysia Berhad
CEO	Chief Executive Officer
CIMB	CIMB Group Holdings Berhad
CIP	Corporate Integrity Pledge
CR	Corporate Responsibility
CPO	Chief Procurement Officer
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EP	Economic Profit
EPF	Employees Provident Fund
EPS	Earnings Per Share
ETP	Economic Transformation Programme
FBM KLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
FFB	Fresh Fruit Bunch
FIABCI	The International Real Estate Federation
FTA	Free Trade Agreement
FY	Final Year
FYE	Financial Year End
GDP	Gross Domestic Product
GDV	Gross Development Value
GEMS	Graduate Employability Management Scheme
GFC	Global Financial Crisis
GLC	Government-Linked Company
GLCT	GLC Transformation
GLIC	Government-Linked Investment Company
G20	A selection of originally 20 larger GLCs controlled by the Government – Linked Investment Company Constituents of the Putrajaya Committee on GLC High Performance. There are currently 17 GLCs in the G20 due to various mergers, demergers and corporate exercise
GTP	Government Transformation Programme
HPR	Holding Period Reform
IT	Information Technology
JV	Joint Venture
Khazanah/ KNB	Khazanah Nasional Berhad
KPIs	Key Performance Indicators
LDA	Leadership Development Audit
LDC	Leadership Development Circle
LTAT	Lembaga Tabung Angkatan Tentera
LTH	Lembaga Tabung Haji
MAHB	Malaysian Airports Holdings Berhad
MAS	Malaysian Airline System Berhad
Maybank/ MBB	Malayan Banking Berhad
MBSB	Malaysia Building SocietyBerhad
MINDA	Malaysian Directors Academy
MRA	Minimum Retirement Age
MRCB	Malaysian Resources Corporation Berhad
MRO	Maintenance, Repair and Overhaul
MT/ha	Metric Tonne Per Mature Hectar
MTAB	Majlis Tindakan Agenda Bumiputera
MW	Minimum Wage
NEAC	National Economic Advisory Council

NKEAs	National Key Economic Areas
NKRAs	National Key Results Areas
NED	Non-Executive Directors
NEIs	New Economy Investments
NEM	New Economic Model
NEP	New Economy Policy
NIM	Net Interest Margin
NPL	Non-Performing Loan
OpCos	Operating Companies
PATAMI	Net Profit after Tax and Minority Interests
PBT	Profit before Tax
PCG	Putrajaya Committee on GLC High Performance
PEMANDU	Performance Management & Delivery Unit
PINTAR	Promoting Intelligence, Nurturing Talent and Advocating Responsibility
PNB	Permodalan Nasional Berhad
PLUS	PLUS Expressways Berhad
POS	Pos Malaysia Berhad
PROTON	Proton Holdings Berhad
R&D	Research and Development
ROE	Return on Equity
SEA	South East Asia
Sime Darby	Sime Darby Berhad
SRI	Strategic Reform Initiatives
TalentCorp	Talent Corporation Malaysia Berhad
TDC	TimedotCom
TERAJU	Unit Peneraju Agenda Bumiputra
THP	TH Plantations Berhad
TM	Telekom Malaysia Berhad
TNB	Tenaga Nasional Berhad
TSR	Total Shareholder Return
UEM	UEM Group Berhad
UMS	Upward Mobility Scheme
UMW	UMW Holdings Berhad
VDP	Vendor DevelopmentProgramme
YAB	Yang Amat Berhormat
YB	Yang Berhormat
YBhg	Yang Berbahagia
Y-O-Y	Year-on-Year

PUTRAJAYA COMMITTEE ON GLC HIGH PERFORMANCE
Transformation Management Office
Level 33, Tower 2, Petronas Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel: +(603) 2034 0000
Fax: +(603) 2034 0300

www.pcg.gov.my